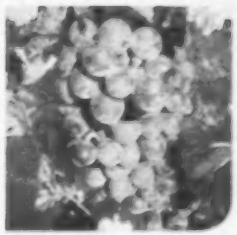
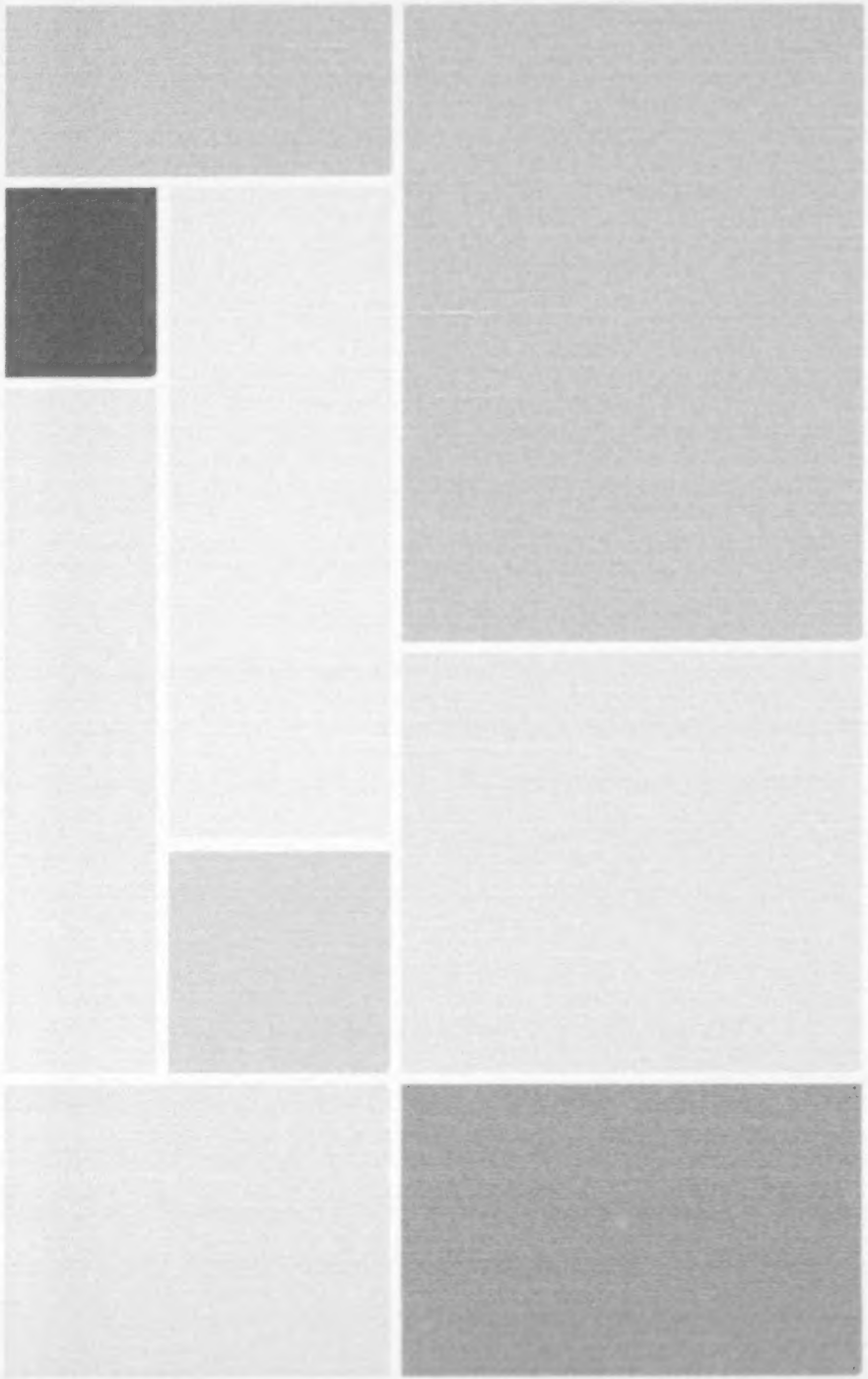


NIAGARA REGION

Annual Financial Update

December 2012

Niagara Region



Annual Financial Update

Niagara Region

TABLE OF CONTENTS

Introduction	1
Consolidated Funding Surplus Review	2
Consolidated Statement of Operations	3
Departmental Statement of Operations	5
Reserve Summary	37
Deferred Revenue Summary	40
Encumbrances	41
Capital Project Summary	43
Capital Project Detail	44
Capital Project Negative Budget Variances	47
Investment Summary	48
Corporate Financial Statistics	49
Budget Adjustment Summary	50
Explanation of Statement of Operations	51

On behalf of Niagara Region, we are pleased to provide you with this fourth quarter and yearend financial update.

Niagara is a culturally rich and historically significant region that offers its residents a mix of urban and rural living within 12 lower tier municipalities. The Region boasts a diverse economy that includes manufacturing, tourism, agriculture and emerging sectors such as new media, green technology and bioscience.

On the financial front, this year brought some significant achievements towards strengthening Niagara Region's financial sustainability. Standard & Poor's reiterated Niagara Region's AA (stable) debt rating, Council approved a new budget guidance policy and Development Charge by-law, the Audit Committee established a new compliance analyst role, and a 2013 budget was developed within corporate guidance.

Niagara Region concluded the year with a funding surplus of $9.1 million (a modest surplus related to the levy programs and $9.1 million surplus related to rate programs). This surplus represents 1.2 per cent of Niagara Region's 2012 gross operating budget. This overall surplus is being generated mainly from reduced winter control costs, higher investment income and a relatively dry year that has yielded higher water sales and reduced wastewater flows. This surplus is offset by a deficit from restated tax assessments.

Affordability and sustainability are two key elements of Niagara Region's budget strategy. Achieving a balance between providing the programs and services residents have come to rely upon, ensuring they can afford to pay for them and ensuring that we have money to fund future infrastructure and program needs is critical. We would appreciate your feedback at www.niagararegion.ca.

We hope you will find the information provided in this report of interest and welcome any suggestions for its improvement going forward.

Consolidated Funding Surplus

Description	Levy	Water & Wastewater	Waste Management	Total
Regional Departments	$ 5,343,704	$ 5,796,373	$ 3,293,646	$ 14,433,723
General Government & Special/Joint Initiatives	(5,226,975)	$ -	$ -	(5,226,975)
Boards and Agencies	(114,340)	-	-	(114,340)
Operating Funding Surplus	$ 2,389	$ 5,796,373	$ 3,293,646	$ 9,092,408

Comments:

The Niagara Region has a funding surplus in 2012 of $9.1 million after unspent budgeted reserve transfers of $2 million were returned to their respective reserves. Levy supported areas have a modest funding surplus, and rate related areas have a funding surplus of $9.1 million.

The surplus generated by Regional departments resulted primarily from on-going efforts to maximize ministry funding, savings experienced around purchased services, materials and supplies, and reduced caseloads. Most of the funding surplus generated by Regional departments is one-time and was used to offset the deficit in general government that was created mainly by tax assessment restatements resulting from appeals. It is recommended, as approved by the Provincial Offences Act (POA) joint board of management, that the deficit incurred by the POA program be offset by reducing the 2012 contribution to the POA facility renewal reserve.

Water and wastewater surplus is mainly driven by higher water revenues from increased water flows and a significant reduction in wastewater flows to Regional treatment plants. Waste management surplus was driven by reductions in landfill related operations and maintenance contract services costs, and lower than budgetted processing costs at the recycling centre resulting from labour savings.

As proposed in CSD 17-2013, it is recommended that the yearend surplus be transferred to reserves as follows:

FCM Reserve	TBD	$ 350,000	Federation of Canadian Municipalities Commitment
Contingency Reserve	R0931	100,000	Fund 2013 contribution to Bicentennial 1812
POA Facility Reserve	R0944	(481,493)	Eliminate 2012 POA deficit
CBRN Emergency Response Team Reserve	R0982	9,865	Retain surplus for future needs (CSD 172-2005)
Contingency Reserve	R0931	24,017	Allocate surplus per surplus/deficit policy
Levy related transfers		$ 2,389	
Sewage Operations Reserve	RF0961	$ 3,015,027	Support the ongoing program
Water Operations Reserve	RF0962	2,781,346	Support the ongoing program
Waste Management Reserve	RF0970	3,293,646	Support the ongoing program
Rate related transfers		$ 9,090,019	

Consolidated - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 332,318,598	$ 335,199,339	$ (2,880,741)
Administrative Expenses	7,986,608	7,325,644	660,964
Materials, Supplies & Utilities	47,195,315	42,270,676	4,924,639
Repairs & Maintenance	18,403,244	17,050,962	1,352,282
Purch. Serv. & Other Operating Exp.	124,750,683	120,611,709	4,138,974
Social Assistance	100,419,217	93,461,187	6,958,030
Financial Expenditures	58,207,010	77,560,592	(19,353,582)
Capital Equipment & Renovations	2,160,587	3,074,346	(913,759)
Housing Provider Subsidy & Supplements	26,618,221	27,280,923	(662,702)
Transfers to Reserves & Reserve Funds	67,430,517	74,820,752	(7,390,235)
Allocations to Capital Program	(1,760,027)	(1,913,646)	153,619
Debt Allocation	-	-	-
Interfunctional Charges/Recoveries	-	(1,227)	1,227
Total Gross Expenditure	**783,729,973**	**796,741,257**	**(13,011,284)**
Revenue			
Taxation - Levy	(311,499,180)	(310,223,060)	(1,276,120)
Taxation - Rate	(139,069,794)	(139,668,225)	598,431
Ontario/Canada Grants	(227,875,735)	(226,407,467)	(1,468,268)
Fees & Service Charges	(35,481,075)	(38,104,814)	2,623,739
Other Revenue	(60,364,560)	(64,420,149)	4,055,589
Transfers from Reserves & Reserve Funds	(9,439,629)	(27,009,950)	17,570,321
Total Revenue	**(783,729,973)**	**(805,833,665)**	**22,103,692**
Net Expenditure/(Revenue)	$ -	$ (9,092,408)	$ 9,092,408

Consolidated - Statement of Operations (cont'd)

Variance Analysis

The consolidated funding surplus is $9.1 million. The majority of this surplus is being generated by the following:

- From the department side, Public Works has a surplus of $2.8 million primarily due to favourable winter conditions experienced in early 2012; Corporate Services had a surplus of $0.9 million due to maximizing transfers for support service cost; Community Services has a surplus of $0.9 million due to Social Assistance & Employment Opportunities caseload not growing in the last quarter of the year as anticipated (see commentary in the department specific pages of this booklet). The majority of the departmental funding surplus is being used to offset a deficit from restated tax assessments.
- Waste Management Services surplus of $3.3 million due primarily to a reduction in landfill related operations/maintenance contract costs, and lower that budgetted processing costs at the recycling centre resulting from labour savings.
- Water and Wastewater Services surplus of $5.8 million primarily due to a relatively dry year which has yielded higher than projected water sales and a reduction in wastewater flows at Regional plants.

The $2.9 million in unfavourable personnel is mainly being driven by:

- Niagara Region Police Services (NRPS) personnel costs are over budget by $2.5 million primarily due to an overtime deficit and additional retirement and sick leave payouts.
- Community Services personnel costs are over budget by $0.7 million in relation to payroll related costs, overtime and an unfunded arbitration award for Seniors Services. This variance is offset by increased revenue in union billings and increased revenues from resident fees.
- Public Health personnel costs are under budget by $0.9 million due to position gapping. In order to offset this surplus and maximize ministry funding, additional interfunctional charges with the Corporate Services Department were completed.
- Niagara Region Emergency Medical Services (NEMS) personnel costs are over budget by $1.1 million due mainly to additional training, increased overtime, and increased special events participation which is offset by additional revenues.

The favourable purchased services expenditures of $4.1 million is driven primarily by the contract cost savings and wastewater flow reductions in Waste Management Services and Water and Wastewater Services, respectively, as mentioned above.

The favourable social assisstance expenditures of $7 million is the result of caseload not growing in the last quarter of the year as anticipated.

Unfavourable financial expenditures of $19.4 million are being driven by:

- An unbudgeted but planned and approved special initiative contribution payment to the Niagara Health Systems Cancer Centre ($15.4 million). This is offset by a favourable variance in transfers from reserves further explained below. As per report CSD 146-2011, the Cancer Centre contribution which was originally expected to occur at a rate of $1 million per year for 30 years was fully paid in 2012 at the present value dollar amount. This payment was internally financed from reserves and expensed to the operating fund.
- Known tax assessment restatements resulting from appeals.

Favourable transfers from reserves of $17.6 million are mainly being driven by:

- Full payout of Cancer Centre contribution ($15.4 million) and impact of internally financing this contribution ($0.5 million) per report CSD 146-2011.
- Transferring 2011 encumbrances ($2.7 million) to be used by departments in 2012 per report CSD 29-2012.
- Use of investment income stabilization reserve ($0.8 million) per report CSD 77-2012.
- Transfers to support various Public Health programs ($0.3 million) per the 2011 year end transfer report CSD 35-2012.

Corporate Administration - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 1,990,914	$ 1,936,048	$ 54,866
Administrative Expenses	177,865	227,092	(49,227)
Materials, Supplies & Utilities	36,775	26,896	9,879
Repairs & Maintenance	200	33	167
Purch. Serv. & Other Operating Exp.	150,650	49,979	100,671
Capital Equipment & Renovations	2,295	1,738	557
Interfunctional Charges/Recoveries	11,080	14,292	(3,212)
Total Gross Expenditure	**2,369,779**	**2,256,078**	**113,701**
Revenue			
Other Revenue	(35,125)	(56,630)	21,505
Total Revenue	**(35,125)**	**(56,630)**	**21,505**
Net Expenditure/(Revenue)	**$ 2,334,654**	**$ 2,199,448**	**$ 135,206**

Corporate Administration - Statement of Operations (cont'd)

Community Impacts & Achievements

The Corporate Administration (Council, Offices of the Regional Chair and Chief Administrative Officer) budget is 85 per cent personnel cost driven. This team provides overall political leadership, governance, policy direction and corporate management to the Corporation.

Major Priorities / Initiatives include:

- Implementing Council's 2012 -2015 Business Plan that aims to improve services and reduce costs; improve Niagara's economy, governance and community services
- Reviewing the Region's various programs and service delivery areas for improved effectiveness and greater efficiency including development of clear and meaningful performance measures
- Delivering effective government and stakeholder relations to leverage partnerships and secure provincial and federal government support for Niagara's needs and priorities

Major 2012 Deliverables include:

- Piloting an inter-municipal transit program
- Established a "Responsive Region Improvement Team" to lead a series of program reviews to enhance service to residents; find process improvements; and achieve measurable savings to Niagara taxpayers
- Led another successful "Niagara Week" government relations event in Queen's Park to educate the provincial government on the needs of Niagara and secure their support for our priorities
- Transitioned Niagara's Economic Development function to a new model that leverages related collective efforts in Niagara, improves business retention and expansion services and provides one window service to potential new businesses to Niagara
- Developing a government relations strategy involving more targeted, coordinated approach to upper levels of Government
- Developed a new Performance Measurement Framework to track Corporation efficiency and effectiveness in each of our departments
- Branded Niagara as the "Green Capital of Canada" to recognize our leadership in the promotion and production of renewable and environmentally friendly energy
- Commenced a Governance Review to determine whether changes to the structure, composition and functioning of Regional Council can improve decision making toward an improved economy in Niagara
- Developed a new Community Improvement Plan to encourage new development with the Gateway Economic Zone and Center

Variance Analysis

As a result of a decidedly new direction to have Niagara Week undertaken in-house (previously contracted to a government relations firm), along with more reliance on staff to produce special projects (thereby decreasing the need for consultancy work), as well as reductions in other administrative operating expenses, a positive variance has resulted across all three divisions. Savings achieved through aforementioned benefits, minor savings to other unrelated operating expenses and HST rebate revenue have also offset increases in mileage and conference expenditures incurred by Regional Council.

Corporate Services - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 16,652,684	$ 16,392,202	$ 260,482
Administrative Expenses	391,954	367,636	24,318
Materials, Supplies & Utilities	2,013,895	1,629,305	384,590
Repairs & Maintenance	2,100,654	1,980,672	119,982
Purch. Serv. & Other Operating Exp.	6,772,808	8,099,523	(1,326,715)
Financial Expenditures	216,619	199,166	17,453
Capital Equipment & Renovations	21,310	210,785	(189,475)
Transfers to Reserves & Reserve Funds	112,079	312,959	(200,880)
Allocations to Capital Program	(223,010)	(80,669)	(142,341)
Interfunctional Charges/Recoveries	(12,938,194)	(14,206,730)	1,268,536
Total Gross Expenditure	**15,120,799**	**14,904,849**	**215,950**
Revenue			
Ontario/Canada Grants	(12,500)	(7,545)	(4,955)
Fees & Service Charges	(154,000)	(96,201)	(57,799)
Other Revenue	(677,464)	(844,804)	167,340
Transfers from Reserves & Reserve Funds	(252,500)	(833,093)	580,593
Total Revenue	**(1,096,464)**	**(1,781,643)**	**685,179**
Net Expenditure/(Revenue)	**$ 14,024,335**	**$ 13,123,206**	**$ 901,129**

Community Impacts & Achievements

There have been a number of significant projects and initiatives undertaken in Corporate Services in the fourth quarter of 2012. These include the following:

- Lost-time injuries have had an overall decrease of 11 per cent compared to 2011 numbers, which surpasses our 2012 target of an overall reduction of lost-time injuries by 7 per cent.
- In December, 2012 we launched our Employee Engagement survey. The results of the survey will identify opportunities to improve the Niagara Region as an employer of choice, and allow for opportunities to support our staff, customers, and reach our shared goals and objectives. The survey results will be returned to the Region by the end of February, and we will share the outcomes and actions plans following.

Corporate Services - Statement of Operations (cont'd)

Community Impacts & Achievements (cont'd)

- IT Solutions completed 78 projects in 2012, added 134 new projects, cancelled 30, and placed three on hold. Completed projects include: Niagara prosperity initiative, on-line payment processing, Infodine (mobile version), new Deer Park Villa facility, electronic medical records software, assessment of paperless council agenda and minutes.
- In 2012 a total of 19,784 IT service requests were received - 4,843 in Q4.
- Approval to move to selection stage of a new financial management system.
- Approval of the 2013 budget, including multi-year budgeting.
- Significant efforts to fully staff our legal services area – involving the recruitment of two legal counsel, a law clerk and a legal claims examiner.
- Introduction of the capital budget visualization tool as part of the 2013 budget process.
- Attendance management and leaves process went live at the end of October – includes changes to business process, program design and HR positions; metrics established and data is being tracked.
- Labour relations – negotiations complete and agreements reached with five of seven groups; arbitration hearing with a sixth to occur in Q1 2013.
- Evaluation matrix for prospective sites for the placement of new POA courthouses in St. Catharines and Welland approved, to be released, with submissions due, in Q1 2013.
- Brought forward recommendations for the replacement of our existing data centre, continue to explore opportunities with further report to be brought forward in Q2 2013.

Variance Analysis

Corporate Services has a year-end surplus of $901,129.

Favourable variances have occurred in personnel costs with gapping dollars resulting from a number of delays in filling vacancies, corporate reorganizations, and a number of interim appointments. In addition, a favourable variance in materials, supplies and utilities resulting from conservation efforts in natural gas usage, in addition to costs rising for electricity and natural gas at a lower than forecast rate in 2012. A one-time, unbudgeted variance has occurred in other revenue, with the recovery of significant legal costs with respect to a resolved litigation. An additional year-end favourable variance in interfunctional operating recoveries is the result of absorbing $1,010,240 in one-time surplus funds from Public Health as part of our Service Level Agreement which covers the costs of support services provided annually.

Unfavourable variances have occurred as a result of the administration of various insurance costs, mainly the resolution of a number of large legal claims on behalf of areas of the corporation. This includes the costs of settlements in addition to external legal assistance in a number of these cases. An unfavourable variance has occurred in consulting services, resulting from costs for our purchasing and procurement review, in addition to our emergency dispatch review, with this offset by an unbudgeted transfer from reserves to cover those costs (CSD 153-2011). An additional transfer from reserves of $400,000 has occurred to cover costs associated with preparations for the implementation of a new financial management system (CSD 152-2011). These funds were encumbered from the 2011 budget. Similarly, a year-end transfer to reserves of $200,880 (CSD 17-2012) has occurred, encumbering dollars from the 2012 budget for further work on the financial management system.

Public Works - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 16,441,197	$ 16,300,309	$ 140,888
Administrative Expenses	1,111,522	1,155,862	(44,340)
Materials, Supplies & Utilities	6,449,660	4,748,228	1,701,432
Repairs & Maintenance	265,025	221,476	43,549
Purch. Serv. & Other Operating Exp.	7,441,712	7,459,312	(17,600)
Financial Expenditures	500,000	110,231	389,769
Capital Equipment & Renovations	79,909	90,495	(10,586)
Transfers to Reserves & Reserve Funds	1,793,330	1,879,117	(85,787)
Allocations to Capital Program	(764,940)	(1,120,935)	355,995
Interfunctional Charges/Recoveries	(2,458,307)	(2,393,316)	(64,991)
Total Gross Expenditure	**30,859,108**	**28,450,779**	**2,408,329**
Revenue			
Ontario/Canada Grants	(233,221)	(233,221)	-
Fees & Service Charges	(2,520,350)	(3,247,632)	727,282
Other Revenue	(1,016,863)	(870,356)	(146,507)
Transfers from Reserves & Reserve Funds	(550,000)	(343,109)	(206,891)
Total Revenue	**(4,320,434)**	**(4,694,318)**	**373,884**
Net Expenditure/(Revenue)	**$ 26,538,674**	**$ 23,756,461**	**$ 2,782,213**

Community Impacts & Achievements

The Public Works Levy Divisions include Transportation Services, Development Services, and Public Works Administration. The Development Services division approves and inspects approximately 343 private systems annually and reviews over 595 development planning applications (both 2012 figures), ensuring alignment with Provincial and Regional policies, plans and regulations. Transportation Services maintains over 750 km of roads, 183 bridges and culverts, and 295 traffic signals, and provides snow removal services on Regional roads. This division also provides oversight of the Niagara Specialized Transit and Regional Transit Pilot, maintains Regional vehicles and equipment, undertakes Transportation studies and strategic planning initiatives, and delivers the Transportation-related capital program. The Public Works Administration division provides operational, strategic and financial support services in support of all of the Departmental program areas, including the Rate-related water, wastewater and waste management programs.

Public Works - Statement of Operations (cont'd)

Community Impacts & Achievements (con't)

Key initiatives in support of the Council Business Plan that are included in the 2012 work plan for these divisions include:

- LEAN process and operational review within Development Services & Transportation (traffic signals & pavement marking)
- "Open for Business" agenda for Development Services
- Niagara Regional Transit pilot project
- Update to the Regional Transportation Strategy
- 10-year Capital Works Plan Priority Alignment
- Benchmarking initiatives
- Class EA for a new Highway 406 interchange between Fourth Avenue and Third Avenue
- Computerized Maintenance Management System (CMMS) for enhanced transportation operations
- iDarts Phase 2: LAM roll-out & PWC reporting of growth-related data & trends

Variance Analysis

The year end financial position of the Public Works Levy Divisions is favourable with a $2.8 million surplus. This total reflects the favourable winter conditions experienced during the 2012 year, as well as the additional revenue generated for the traffic signal maintenance requests received. The overall position is related almost entirely to the Transportation division, as the Development Service division finished the year with net savings of $10,000.

The largest area of savings was in the materials and supplies, where a total favourable variance of $1.7 million is reflected. This amount includes the reduced utilization of winter maintenance material such as salt, sand, organic de-icing material, as well as savings in sign and signal maintenance material and fuel. Approximately $0.7 million of this variance can be attributed to an accounting change that increased the list of materials now recognized as inventory. This revision will provide for a better reflection of the cost of material utilized during specified periods in future reporting, enhancing the information available for operational and financial management and planning.

A $390,000 favourable variance has been identified for Financial Expenditures, due primarily to $424,000 in lower-than-budgeted utilization of grant funding available to the local municipalities for the bike path, drainage assessment and storm sewer programs. As these programs are currently fully funded from reserve, a $424,000 reduction in the budgeted Transfer from Reserve & Reserve Fund has also been included in the year end amount.

Fees and Service Charges generated an additional $727,000 in the year 2012 due largely to traffic signal maintenance revenues which exceeded budget by $684,000. These surpluses are partially offset by an unfavourable variance of $146,000 in Other Revenue, primarily due to the lower than budgeted revenue for the Niagara Regional Transit (NRT) service.

Water and Wastewater Services - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 20,154,845	$ 19,900,942	$ 253,903
Administrative Expenses	564,961	475,965	88,996
Materials, Supplies & Utilities	13,602,771	12,711,956	890,815
Repairs & Maintenance	7,430,471	6,692,623	737,848
Purch. Serv. & Other Operating Exp.	14,316,490	11,699,571	2,616,919
Capital Equipment & Renovations	130,455	262,976	(132,521)
Transfers to Reserves & Reserve Funds	39,221,873	39,926,222	(704,349)
Allocations to Capital Program	(550,892)	(501,838)	(49,054)
Debt Allocation	6,944,589	6,918,666	25,923
Interfunctional Charges/Recoveries	5,226,282	5,185,631	40,651
Total Gross Expenditure	**107,041,845**	**103,272,714**	**3,769,131**
Revenue			
Taxation - Rate	(105,069,066)	(105,661,823)	592,757
Fees & Service Charges	(1,086,800)	(1,487,773)	400,973
Other Revenue	(285,979)	(686,589)	400,610
Transfers from Reserves & Reserve Funds	(600,000)	(1,232,902)	632,902
Total Revenue	**(107,041,845)**	**(109,069,087)**	**2,027,242**
Net Expenditure/(Revenue)	$ -	$ (5,796,373)	$ 5,796,373

Water and Wastewater Services - Statement of Operations (cont'd)

Community Impacts & Achievements

The water division is responsible for the treatment and transmission of 60 billion litres of water per year (2012 amount) through a total of 59 water facilities, including six water treatment plants as well as 316 km of watermains. Similarly, the wastewater division treats 70 billion litres of wastewater per year (2012 amount) at 11 plants and one lagoon, with collection through 123 pump stations and 283 km of wastewater mains. In addition, these divisions are responsible for asset management, master planning, water and wastewater approval input, design and construction, operations and maintenance, biosolids management, laboratory services, utility locates and environmental monitoring and enforcement. Specific initiatives undertaken in 2012 included:

- Enhanced bulk purchasing, reduction in potable water use, treatment plant optimizations, maintenance staff redeployment to plants, etc.
- Commencement of the Water and Wastewater Review looking at governance options
- Regional water supply risk mitigation
- Biosolids management optimization
- Continued energy conservation retrofits
- Business continuity preparation
- Public Outreach including the Children's Water Festival and deployment of the Water Wagon

Variance Analysis

The favourable year end position for Water & Wastewater Services can be attributed at a high level to a combination of a relatively dry year which has yielded higher than projected water sales (60 billion litres in 2012 versus 59 billion litres in 2011) and a significant reduction in wastewater flows to Regional treatment plants (70 billion litres in 2012 versus 85 billion litres in 2011). There are also unexpended funds from the annual provision for emergency works, such as plant or pipe failures, as well as deferral of some works due to key staff vacancies and diversion to business continuity planning during contract negotiations.

At end of year, the Water & Wastewater divisions reflect a combined net favourable position of $5.8 million, of which $2.8 million has been generated in the Water division and $3.0 million in the Wastewater division. This projected surplus consists of both savings in expenditures as well as higher than forecasted revenues.

Factors contributing to the favourable water variance include reduced emergency expenditures for repairs and maintenance ($638,000) plus savings in purchased services for items such as contracted maintenance and waste disposal services. Higher than anticipated revenue of $811,000 was generated from increased water sales, as well as $140,000 in other revenues which includes energy rebates.

The favourable wastewater variance is highlighted by savings in purchased services ($1.7 million) as well as Materials, Supplies & Utilities ($778,000). Many of these savings were generated from optimization of biosolids operations as well as a significant reduction in wastewater flows (18 per cent reduction from 2011 due to lower inflow and infiltration). The implementation of shift changes at the treatment plants also generated savings in personnel costs. Wastewater experienced higher than anticipated revenue from fees & services and other revenue totaling $710,000, primarily from sewer surcharge agreements and energy incentive rebates.

Waste Management - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 3,391,421	$ 3,215,099	$ 176,322
Administrative Expenses	128,709	90,508	38,201
Materials, Supplies & Utilities	4,100,830	3,041,585	1,059,245
Repairs & Maintenance	778,823	950,692	(171,869)
Purch. Serv. & Other Operating Exp.	37,787,770	33,844,355	3,943,415
Financial Expenditures	-	52,128	(52,128)
Capital Equipment & Renovations	135,664	51,578	84,086
Transfers to Reserves & Reserve Funds	781,930	1,218,274	(436,344)
Allocations to Capital Program	(221,185)	(203,445)	(17,740)
Debt Allocation	4,722,916	4,689,312	33,604
Interfunctional Charges/Recoveries	704,096	684,245	19,851
Total Gross Expenditure	**52,310,974**	**47,634,331**	**4,676,643**
Revenue			
Taxation - Rate	(34,000,728)	(34,006,402)	5,674
Ontario/Canada Grants	(3,825,228)	(4,310,293)	485,065
Fees & Service Charges	(2,592,246)	(2,451,166)	(141,080)
Other Revenue	(11,892,772)	(10,085,704)	(1,807,068)
Transfers from Reserves & Reserve Funds	-	(74,412)	74,412
Total Revenue	**(52,310,974)**	**(50,927,977)**	**(1,382,997)**
Net Expenditure/(Revenue)	$ -	$ (3,293,646)	$ 3,293,646

Waste Management - Statement of Operations (cont'd)

Community Impacts & Achievements (cont'd)

Waste Management Services (WMS) is responsible for the operation of various facilities (landfill sites, household hazardous waste (HHW) depot and recycling centre), the delivery of curbside waste, recycling and organics collection services and diversion programs, the management of long-term organics processing and disposal contracts, as well as policy development and capital program delivery. In addition to the operation of permanent drop-off depots, special event days are provided for diverting recyclables, electronics, household hazardous waste, scrap metal and other materials. Priority initiatives which have been completed as part of the 2012 workplan include:

- Construction & demolition material recycling program (depot) review
- Household hazardous waste (HHW) program review and resulting consolidation of event days from 28 to 17
- Multi-residential recycling program implementation (final phase)
- Garbage tag fee increase to reflect full cost recovery
- Policy development for waste management exemptions for the non-profit sector
- Public space recycling (Phase 2) - "Niagara Recycles...On the Go"
- Waste electrical and electronic equipment (WEEE) collection options study
- Curbside Battery collection pilot
- Residential waste diversion target review and approval of the 65 per cent by 2020 diversion goal

WMS received several awards in 2012:

1. Ontario Electronic Stewardship (OES) program award for outstanding accomplishments in the collection of electronic waste for recycling.
2. Recycling Council of Ontario (RCO) 2012 Waste Minimization Awards consisting of the Gold Award in the Municipal Diversion category in recognition of Niagara's successful diversion programs and the 2011 residential diversion rate of 51 per cent and the Platinum Award in the Municipal Special Program category, which is the highest award in this category and was awarded in recognition of the combined efforts of Emterra Environmental and Niagara Region in launching the "Make Your Contribution at the Curb"™ Campaign.
3. Municipal Waste Association (MWA) awards for Promotion and Education work, consisting of the Silver Award for the "Recycling Ins and Outs" Campaign for the Blue/Grey Box program and the Bronze Award in the "Promotion and Education Tool" category for the creation of three mascots for the diversion programs.

Waste Management - Statement of Operations (cont'd)

Variance Analysis

The Waste Management year-end surplus of $3.3 million is primarily attributable to savings of $3.9 million in purchased services and materials, which are partially offset by the reduction in revenue.

The $3.9 million favourable variance in purchased services is primarily due to following items:

- Reductions in landfill related operations/maintenance contract services costs for open and closed sites ($1.2 million).
- Lower than budgeted tonnage sent to Walker for waste disposal ($533,000) and organics processing ($478,000).
- Redirection of newsprint from Abitibi to other materials markets resulting in lower processing costs due to labour savings at recycling centre by not filling sorting positions, ($713,000) and lower transportation costs ($128,000 in reduced expenditures which are reflected in lower per tonne revenue).
- Reduction in Niagara Falls enhanced collection contract due to positive RFP results ($171,000).
- Delay in the initiation of the maintenance management system pending the current transportation implementation and corporate ERP review ($150,000).
- Reduction in the HHW depot and event day contract costs based on lower volumes ($158,000).

The savings in materials and supplies of $1.1 million are largely due to lower payments to Waterloo and Haldimand under the existing recycling processing contracts and for other third party purchases as a result of recycling market prices that are lower than anticipated in the 2012 budget ($826,000 less than budgeted).

Overall the Blue Box program received over $11.8 million in gross revenue from a range of sources, however the weakening of the recyclables market was the key driver of the year-end $1.4 million shortfall in overall revenue. Revenue from the sales of recyclables (including ECO Glass) was lower than the budgeted amount by $2.2 million. The largest impact was in the newsprint material revenue stream ($1.8 million), due to both the softening market and the redirection of tonnage from Abitibi to other markets. Waste Diversion Ontario (WDO) Blue Box funding ($2.9 million) also decreased by $214,000 based on the 2012 funding formula, which is tied to 2010 net program costs. However, WDO funding will increase again in 2013 to a total of $3.5 million.

Two areas that experienced higher than budgeted revenue to partially offset the weakening recyclables market were garbage tag sales and the Stewardship Ontario industry funding for the HHW program, which produced revenue surpluses of $457,000 and $707,000, respectively.

Police Services & Board - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 120,224,768	$ 122,724,704	$ (2,499,936)
Administrative Expenses	1,734,538	1,365,378	369,160
Materials, Supplies & Utilities	4,890,309	4,899,457	(9,148)
Repairs & Maintenance	2,194,682	1,630,751	563,931
Purch. Serv. & Other Operating Exp.	3,349,291	2,796,316	552,975
Financial Expenditures	4,000	367,516	(363,516)
Capital Equipment & Renovations	547,090	405,116	141,974
Transfers to Reserves & Reserve Funds	3,825,000	3,937,332	(112,332)
Allocations to Capital Program	-	(5,418)	5,418
Interfunctional Charges/Recoveries	3,207,163	3,291,419	(84,256)
Total Gross Expenditure	**139,976,841**	**141,412,571**	**(1,435,730)**
Revenue			
Ontario/Canada Grants	(4,576,293)	(5,041,038)	464,745
Fees & Service Charges	(6,675,425)	(7,166,110)	490,685
Other Revenue	(1,495,865)	(1,993,258)	497,393
Transfers from Reserves & Reserve Funds	(320,000)	(320,000)	-
Total Revenue	**(13,067,583)**	**(14,520,406)**	**1,452,823**
Net Expenditure/(Revenue)	**$ 126,909,258**	**$ 126,892,165**	**$ 17,093**

Community Impacts & Achievements

Detailed report to be submitted and received by the Police Service Board (PSB) at their February monthly public meeting.

Variance Analysis

Full details are available in the Service Report to the Police Service Board to be submitted and received by the PSB in February 2013. A copy will be forwarded to the Region by the PSB.

Community Services - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 82,930,170	$ 83,588,309	$ (658,139)
Administrative Expenses	1,170,942	903,872	267,070
Materials, Supplies & Utilities	7,184,620	7,332,931	(148,311)
Repairs & Maintenance	1,010,596	935,265	75,331
Purch. Serv. & Other Operating Exp.	31,662,383	34,539,988	(2,877,605)
Social Assistance	100,419,217	93,459,187	6,960,030
Financial Expenditures	32,905	52,451	(19,546)
Capital Equipment & Renovations	521,029	684,914	(163,885)
Transfers to Reserves & Reserve Funds	410,260	411,368	(1,108)
Interfunctional Charges/Recoveries	372,339	394,047	(21,708)
Total Gross Expenditure	**225,714,461**	**222,302,332**	**3,412,129**
Revenue			
Ontario/Canada Grants	(165,214,865)	(162,391,799)	(2,823,066)
Fees & Service Charges	(22,235,198)	(23,251,326)	1,016,128
Other Revenue	(383,393)	(630,047)	246,654
Transfers from Reserves & Reserve Funds	(937,883)	-	(937,883)
Total Revenue	**(188,771,339)**	**(186,273,172)**	**(2,498,167)**
Net Expenditure/(Revenue)	**$ 36,943,122**	**$ 36,029,160**	**$ 913,962**

Community Impacts & Achievements

Social Assistance & Employment Opportunities:

- Developed and recommended a strategy to help mitigate the impacts of the provincial decision to terminate the Community Start Up and Maintenance Benefit (CSUMB) effective January 1, 2013. Council approved a $3.3M Housing Stability Plan, and in less than two months staff developed and implemented the new program, including developing new business systems, training for staff, and a communication plan, while at the same time supporting Council advocacy efforts for additional provincial funding.
- Received $1.9 million one-time grant from the Ministry of Community and Social Services to support vulnerable residents in the transition to the Community Homelessness Prevention Initiative (CHPI). This reduced the shortfall in provincial funding created by elimination of the Community Start Up and Maintenance Benefit from 52 per cent to 21 per cent.
- Helped clients increase their earnings by an average of $15.01 over Q3.
- Helped people leaving assistance increase their earnings by an average of $30.66 increase over Q3.

Community Services - Statement of Operations (cont'd)

Community Impacts & Achievements (con't)

Social Assistance & Employment Opportunities (cont'd):

- Received Council approval to invest another $1.5 million in local poverty reduction initiatives.
- As of October 2012 Niagara Prosperity Committee has invested in 183 programs that have partnered with 62 agencies across Niagara; impact report demonstrates that 52 per cent of households that access services and supports funded through the Niagara Prosperity Initiative saw a positive increase in individual and household assets with the greatest impact seen in social assets such as more and better relationships between neighbourhood residents.

Children's Services:

- Reduced fee subsidy wait list to zero and currently placing clients upon confirmation of eligibility.
- The new provincial allocation for 2013 funding in children's services is consistent with 2012 funding, despite concerns it might be reduced, and staff are participating on a provincial working group targeted with developing a new funding allocation model.
- Continue to support training opportunities for early child hood practitioners though student placement at directly operated centres and licensed home child care.
- Work started with the College of Early Childhood Educators for St. Catharines Child Care Centre to become a test pilot site for the College's Leadership and Continuous Professional Development Plan.
- Selected by the Ministry of Children and Youth Services as a Community Integration Leader site to test and advance integration of children and family services. Niagara is a leader within the province as they develop their Best Start Centre family approach. Children's Services as the system manager has been leading this exciting community development project with a vast number of community partners.
- Work continues with local school boards on a three year capital plan investment strategy for Niagara's child care system to guide limited capital resources in support of child care transition including re-profiling of sites to accommodate younger aged children and to leverage capital provided to school boards under a new school-first child care policy. This is in response to managing the impact of loss of children in child care who are attending full day kindergarten.

Community Services - Statement of Operations (cont'd)

Community Impacts & Achievements (con't)

Seniors Services:

- Initiated an extensive stakeholder engagement exercise "Aging Well in Niagara". Through a series of conversation cafes, comment cards and surveys we heard from more than 600 residents. The public engagement project will be finalized in 2013 and will develop a pool of information that will support the Region as it develops plans and refines programs to ensure seniors are able to enjoy a high quality of life and live in their homes for as long as possible.
- In Seniors Community Programs 3,278 clients were served between January – December, 2012 with an additional 253 being new clients added in the fourth quarter.
- Seniors Services initiated the development of a strategic plan through the completion of a SWOT analysis (strengths, weaknesses, opportunities, threats) with staff on day, evening and night shifts across the long-term care homes. A stakeholder engagement session with external partners provided a community perspective.
- The information gathered through the Aging Well in Niagara sessions and through the long-term care focused sessions will be rolled up into the strategic plan for 2013-2015.
- Deer Park Villa completed its first phase of construction. The Ministry of Health and Long-Term Care completed their on-site occupancy inspection. The home successfully passed the review and moved all residents into the newly developed space.
- Five of the long-term care homes were successful in securing "Late Career Nurse Funding" to support capacity building of new staff and to ease the transition to retirement for seasoned staff.
- Rapelje Lodge celebrated their fifteenth anniversary of providing long-term care to seniors in Niagara.

Variance Analysis

Community Services finished 2012 with an operating surplus of $913,962 after unrequired budgeted reserve transfers in Social Assistance & Employment Opportunities were returned to the Social Assisstance Reserve.

The Senior Services division has a deficit of $114,041 largely driven by payroll related costs over expenditures of $430,000 and food expenditures of $238,000. These expenses were offset through additional subsidy of $470,000 and efficiencies in other operating accounts.

The Children's Services division finished 2012 with a surplus of $78,948. The division was over budget in fee subsidy/purchase of service expenditures by $1.9 million, representing direct client service delivery. This was possible as a result of parent fee revenues being over budget by $540,000 and increased ministry revenues and one time funding of $1.3 million. Children's Services operated thorough-out 2012 with a waitlist to manage expenses within budget, however the waitlist was not required by year end.

Social Assistance & Employment Opportunities has a surplus of $925,927. This surplus is the result of the caseload not growing in the last quarter of the year as anticipated, as well as the mix of caseload between singles and families. Caseload is anticipated to grow in 2013 as a result of additional plant closure announcements and individuals who have experienced job loss coming to the end of their severance and employment insurance supports.

Niagara Peninsula Conservation Authority (NPCA) Grant

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Financial Expenditures	$ 6,857,104	$ 6,857,104	$ -
Total Gross Expenditure	**6,857,104**	**6,857,104**	-
Revenue			
Transfers from Reserves & Reserve Funds	(300,000)	(300,000)	-
Total Revenue	**(300,000)**	**(300,000)**	-
Net Expenditure/(Revenue)	**$ 6,557,104**	**$ 6,557,104**	**$ -**

Community Impacts & Achievements

NPCA is a separate corporation that receives funding from the Niagara Region. The above summary shows the grant the Niagara Region provided the NPCA and not their operating results.

Variance Analysis

The Region has provided NPCA the full amount of their approved annual funding.

In 2012, NPCA requested $300,000 in funding for water related activities and this was provided through the water reserves.

Public Health - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 29,708,297	$ 28,807,245	$ 901,052
Administrative Expenses	1,151,405	1,138,430	12,975
Materials, Supplies & Utilities	1,193,561	1,077,839	115,722
Repairs & Maintenance	80,500	49,188	31,312
Purch. Serv. & Other Operating Exp.	2,928,145	2,706,269	221,876
Social Assistance	-	2,000	(2,000)
Capital Equipment & Renovations	271,300	715,701	(444,401)
Transfers to Reserves & Reserve Funds	-	213,547	(213,547)
Interfunctional Charges/Recoveries	2,411,824	3,525,376	(1,113,552)
Total Gross Expenditure	**37,745,032**	**38,235,595**	**(490,563)**
Revenue			
Ontario/Canada Grants	(29,651,406)	(29,870,864)	219,458
Fees & Service Charges	(132,000)	(273,043)	141,043
Other Revenue	(697,067)	(842,025)	144,958
Transfers from Reserves & Reserve Funds	(216,000)	(311,000)	95,000
Total Revenue	**(30,696,473)**	**(31,296,932)**	**600,459**
Net Expenditure/(Revenue)	**$ 7,048,559**	**$ 6,938,663**	**$ 109,896**

Community Impacts & Achievements

• The Vacancy Management Process that was implemented in 2011 continues to contribute to both vacant staff positions and/or delays in refilling positions. This has partly contributed to the year end surplus in personnel costs of $901,052, attributed to reduced salary costs and corresponding payroll related costs. Despite Public Health efforts to mitigate service disruptions, some program areas have experienced program cancellations, delays or extended waitlists for service. It is hoped that the changes to the Vacancy Management Process will ameliorate the service disruptions in 2013.

• Niagara Region Public Health was successful in obtaining 100 per cent compliance on all of the performance indicators contained in the Accountability Agreement with the Ministry of Health and Long-term Care (MOHLTC).

Public Health - Statement of Operations (cont'd)

Community Impacts & Achievements (cont'd)

• In 2011 Niagara Region Public Health, District School Board of Niagara, Niagara Catholic District School Board, Niagara Sport Commission and Public Health Ontario partnered to bring Sparking Life Niagara to two Niagara classrooms. Students participate in 20 minutes of physical activity every morning to improve physical activity, mental health and academic achievement. Positive results were seen in 2012 from both participants and staff. In 2013 the program is being expanded to all 30 high schools using smaller equipment sets.

• Mental health has successfully implemented its new Telemedicine Service with substantial uptake in services throughout 2012. Four psychiatrists have been retained to support this community initiative and feedback from both clients and primary care physicians has been consistently very positive.

• Public health distributed over 110,000 doses of flu vaccine to the Niagara community this year, with 6,680 doses being distributed to pharmacists. This is a new healthcare partner in the flu campaign for Ontario. It is hoped that Niagara will see better uptake for the flu shot for next year as 2012 saw an overall decline in vaccine coverage across the province. Flu outbreaks were also significantly higher in 2012/13.

• In the Food Safety program, 100 per cent compliance with Ministry standards was achieved. The number of attendees at food handler education classes continues to grow. In 2012 the environmental health division held 97 courses and 2,008 individuals became certified food handlers.

• Additional federal and provincial funding was secured for the Beach Water Monitoring program. Special water buoys transmit live, real time water quality data to shoreline stations allowing for immediate analysis and decision making regarding suitability for swimming.

• The CASTLE (Creating Access to Screening and Training in the Living Environment) project is a collaborative effort among the health units within the Local Health Integration Network, McMaster, and Brock Universities. Funding from the Public Health Agency of Canada of $912,341 for 2012-2014 has been awarded. The goal of the project is to work with low-income housing communities in promoting participation and interventions for breast, cervical, and colorectal cancer screening. The project will strive to reduce health disparities in cancer screening and to help reduce the barriers that exist within those communities. The CASTLE project will train community health workers and volunteers in order to build capacity and to reach the targeted populations. Through community mobilization strategies, the promotion of cancer screening will be delivered in the low-income communities using a peer-to-peer model.

Public Health - Statement of Operations (cont'd)

Community Impacts & Achievements (cont'd)

• Reproductive Health developed an award winning free app (available at the Apple store) called M+B2B (Mom plus baby to be) that covers everything from 'Is you partner ready to be a Dad?' quiz, through nutrition and exercise in pregnancy, to a contraction counter. Thousands of downloads already.

• NRPH partnered with local school boards, Pathstone Mental Health and Community Addiction Services Niagara (CASN) to implement the Youth Net program. Youth Net is a mental health promotion and early intervention program for youth. It is currently implemented in four area high schools with two more high schools scheduled for implementation in 2013.

In alignment with Council Business Plan item 3.7, NRPH has been successful in securing additional external funding for the following programs:
o CASTLE Project ($900,000 over two years)
o Cessation Workplace Demonstration ($71,500)
o Public Safety Grant (Take Back Day) ($65,000)
o SPARKING Life Niagara, housed externally ($75,000)
o Recreational Water Quality ($75,000)
o Panorama ($383,000)

Variance Analysis

The final 2012 Ministry approved budget provided additional one-time funding dollars for phase one and the planning of phase two of the Panorama project which resulted in a favourable variance. Also contributing to this overall positive variance are vaccination fees and expense recoveries.

As in the third quarter, much of the favourable variance in personnel costs is the result of staff leaves and the lag time generated in filling these positions. Also contributing to this variance is the redeployment of staff to work on special projects in other areas of Public Health whose regular positions were vacant during the secondment period.

In 2012, as in 2011, Public Health contributed to Corporate Services for Human Resource and Information Technology services received in accordance with the 2011 Service Level Agreement. The 2012 contribution was greater than 2011 and it neared the fair value of services received; this is reflected in the unfavourable variance in Interfunctional Charges/Recoveries.

Special Initiatives/Joint Initiatives - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Financial Expenditures	$ 86,200	$ 15,425,000	$ (15,338,800)
Transfers to Reserves & Reserve Funds	796,750	796,750	-
Total Gross Expenditure	**882,950**	**16,221,750**	**(15,338,800)**
Revenue			
Transfers from Reserves & Reserve Funds	-	(15,370,000)	15,370,000
Total Revenue	**-**	**(15,370,000)**	**15,370,000**
Net Expenditure/(Revenue)	**$ 882,950**	**$ 851,750**	**$ 31,200**

Community Impacts & Achievements

The Region has contributed $15,440,000 to special initiatives in 2012 ($15,370,000 for the Cancer Centre and $70,000 for the 2015 Pan Am Games). As per CSD 146-2011, the Cancer Centre contribution which was originally expected to occur at a rate of $1 million per year for 30 years was fully paid in 2012 at the present value dollar amount. The early payment amount was internally financed by running a deficit in the Niagara Region's operating fund that will be replenished through the levy in future years. Since there are sufficient funds from other sources, primarily reserves, there are no operational impacts to maintaining a deficit balance in operating fund. Early payment of this commitment will allow the Region to only contribute $796,750 to replenish the operating fund each year, thereby saving $203,250 annually on the levy.

The annual $70,000 allocated to PanAm Games was approved by Council through the 2012 budget approval and is expected to continue at the same funding level through to 2015.

Variance Analysis

Budget funds were earmarked for an additional annual contribution to the Pan Am Games each year, but are not anticipated to be required until possibly 2015. This has resulted in a surplus for 2012.

Niagara Region Emergency Medical Services (NEMS) - Statement of Operations

Object of Expenditure Description	*Annual* Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 29,529,949	$ 30,632,779	$ (1,102,830)
Administrative Expenses	210,150	191,714	18,436
Materials, Supplies & Utilities	2,092,609	1,776,917	315,692
Repairs & Maintenance	844,000	545,199	298,801
Purch. Serv. & Other Operating Exp.	1,258,456	988,419	270,037
Financial Expenditures	-	61	(61)
Capital Equipment & Renovations	371,000	560,712	(189,712)
Transfers to Reserves & Reserve Funds	1,288,210	1,541,191	(252,981)
Interfunctional Charges/Recoveries	1,644,817	1,762,859	(118,042)
Total Gross Expenditure	**37,239,191**	**37,999,851**	**(760,660)**
Revenue			
Ontario/Canada Grants	(21,109,077)	(21,393,361)	284,284
Fees & Service Charges	-	(4,525)	4,525
Other Revenue	(20,000)	(288,398)	268,398
Transfers from Reserves & Reserve Funds	-	(132,968)	132,968
Total Revenue	**(21,129,077)**	**(21,819,252)**	**690,175**
Net Expenditure/(Revenue)	**$ 16,110,114**	**$ 16,180,599**	**$ (70,485)**

Niagara Region Emergency Medical Services (NEMS) - Statement of Operations (cont'd)

Community Impacts & Achievements

The service continues to work towards the council approved number of Advanced Care Paramedics (ACP) during 2012, through Niagara College training program. The service continues to face challenges in maintaining service levels, particularly due to off-load delays. NEMS has been working collaboratively with Niagara Health System (NHS) to attempt to mitigate the impact of health system changes on the service, including weekly meetings. Continued uncertainty related to ongoing Ministry of Health and Long-Term Care (MOHLTC) off-load nurse funding. In 2012 NEMS introduced a new style of ambulance vehicle that is anticipated to lower operational costs and maintenance schedules. In addition NEMS implemented ATSR (Vehicle AVI) vehicle technology to help reduce fuel consumption and emissions.

Obtained successful re-accreditation from the International Academy of Emergency Medical Dispatch (IAED) Re-accreditation. Preliminary MOHLTC report dispatch review indicates Niagara Ambulance Communication Services (NACS) has a higher compliance rate than other dispatch centers in the province. Continued utilization of innovative dispatch technology to reduce operating costs for response time performance achievement. OMBI benchmarks continue to demonstrate NEMS excellence. Continue to perform better than both the required MOHLTC legislated requirement for response times and council mandated response time performance standards. Finished 2nd in ACP National Paramedic Skills Competition; Ground breaking and Opening of Ft. Erie Station within 12 months (NEMS/NRPS station) Significant reduction of Transfer of Care time at the busiest hospital site (St. Catharines). Continued funding and support from Local Health Integration Network (LHIN) for the OMEGA project.

Variance Analysis

The unfavourable variance in Personnel Costs is due to increased costs related to overtime in the first part of the year. In the latter part of 2012 NEMS hired part-time staff to bring the service to complement; in addition, changes to the collective agreement at the end of May 2012 increased part-time staff availability, thereby mitigating overtime costs in the latter part of the year. These personnel costs are partially offset by revenues related to special events.

The favourable variance related to Materials, Supplies and Utilities is due to better controls over inventory and controlled drugs. Transfer to reserve unfavourable variance is related to the land ambulance encumbrance for upcoming leasehold improvements of a fleet center. Capital equipment and renovations is over budget as a result of new power stretchers and vehicle technology installed on the fleet. These new vehicle technologies have integrated safety systems to help manage speeding as well the technology helps to reduces idle times and lower fuel consumption within the fleet. NEMS continues to investigate and implement new equipment technologies in an effort to mitigate workers injuries.

It is important to note that any year end surplus within the Ambulance Dispatch program and Offload Nurse Program is returned to the MOHLTC. The increase of other revenue compared to budget is related to unbudgeted revenue from special events, union billings and the First aid / CPR program which is offset by personnel costs.

Integrated Community Planning Department - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 4,538,671	$ 4,795,988	$ (257,317)
Administrative Expenses	954,649	1,032,670	(78,021)
Materials, Supplies & Utilities	447,066	444,152	2,914
Repairs & Maintenance	58,150	78,870	(20,720)
Purch. Serv. & Other Operating Exp.	3,032,922	2,272,492	760,430
Financial Expenditures	1,000,000	786,245	213,755
Capital Equipment & Renovations	15,915	27,687	(11,772)
Transfers to Reserves & Reserve Funds	-	833,713	(833,713)
Allocations to Capital Program	-	(1,291)	1,291
Interfunctional Charges/Recoveries	(795,504)	(827,630)	32,126
Total Gross Expenditure	**9,251,869**	**9,442,896**	**(191,027)**
Revenue			
Ontario/Canada Grants	(1,653,875)	(1,085,108)	(568,767)
Fees & Service Charges	(85,056)	(105,562)	20,506
Other Revenue	(161,000)	(148,667)	(12,333)
Transfers from Reserves & Reserve Funds	(506,582)	(1,572,873)	1,066,291
Total Revenue	**(2,406,513)**	**(2,912,210)**	**505,697**
Net Expenditure/(Revenue)	**$ 6,845,356**	**$ 6,530,686**	**$ 314,670**

Integrated Community Planning Department - Statement of Operations (cont'd)

Community Impacts & Achievements

Integrated Community Planning supports effective decision-making based on meaningful engagement, research, planning and focused actions to deliver responsible public policy, resulting in good governance. Staff led and contributed to significant initiatives.

- Successful completion of Cultural Capital of Canada projects, increasing awareness of cultural assets and the cultural economy
- Coordination of the Regional Environmental Awards and the Community Design Awards, increasing award nominations, public awareness, participation and media coverage
- Review and approval of 11 Official Plans
- Adoption and implementation of a new Development Charges By-law
- Endorsement of the Gateway Economic Zone and Centre Community Improvement Plan (CIP) with local adoption in progress, and Regional Policy Plan Amendment
- Environmental impact statement guidelines
- Ivanhoe Cambridge development in NOTL
- Settlement for appeals of Regional Policy Plan Amendment 2-2009
- Completion of the Sustainable Niagara Plan with significant public input, community consultation and community development
- Provision of legislative support to Council and various Advisory Committees
- Providing accessibility services in compliance with Accessibility for Ontarians Disability Act (AODA) legislation
- In-house savings and efficiencies through creative services and colour print services capabilities
- Education of 731 elementary students to "Be Disaster Ready" in partnership with Children's Safety Village, plus distribution of over 6,300 Be Disaster Ready 72 Hour Emergency Guidebooks in cooperation with area municipalities
- On-going intergovernmental relations, including bi-national activities
- Completion of the Economic Development Transition
- Building brand awareness through production of services/programs publications for residents, supporting department community engagement activities, and providing crisis communications services
- Facilitated 16 days of training to 382 Regional, local municipal and community partner agency staff on the "Introduction to Emergency Management" and "The Incident Management System" to build capacity for disaster response
- Progress on the Lakefront Enhancement Strategy
- Completion of a residents communications survey with input from 2,000 people to inform the 2013 corporate communications work plan
- Enhanced online public engagement for citizen input, for example: the Housing and Homelessness Action Plan, Provincial Courts Administration site consolidation options, and the 2013 budget
- Ongoing citizen reliance on social media to engage with the Region: FaceBook "likes": 1,327 (36 per cent increase from 2011); Twitter followers: 3,313 (46 per cent increase from 2011); YouTube views: 9,635 (71 per cent increase from 2011)

Variance Analysis

Overall expenditures to the end of 2012 resulted in a year-end surplus of $315,000. The surplus is related to gapping associated with vacancies in the Regional Clerks office, and implementation of records management outsourcing. A smaller portion is from receiving grant funds to support community projects (i.e. Sustainable Niagara & Climate Change).

Niagara Regional Housing (NRH) - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 3,863,711	$ 3,787,099	$ 76,612
Administrative Expenses	237,224	184,430	52,794
Materials, Supplies & Utilities	5,074,352	4,439,760	634,592
Repairs & Maintenance	3,600,143	3,932,049	(331,906)
Purch. Serv. & Other Operating Exp.	4,459,647	4,930,649	(471,002)
Financial Expenditures	2,967,338	3,043,650	(76,312)
Capital Equipment & Renovations	30,000	22,941	7,059
Housing Provider Subsidy & Supplements	26,618,221	27,280,923	(662,702)
Transfers to Reserves & Reserve Funds	476,424	833,116	(356,692)
Debt Allocation	1,240,088	1,196,500	43,588
Interfunctional Charges/Recoveries	956,013	981,424	(25,411)
Total Gross Expenditure	**49,523,161**	**50,632,541**	**(1,109,380)**
Revenue			
Ontario/Canada Grants	(188,000)	(1,135,886)	947,886
Other Revenue	(21,946,483)	(22,531,123)	584,640
Transfers from Reserves & Reserve Funds	(755,000)	(681,914)	(73,086)
Total Revenue	**(22,889,483)**	**(24,348,923)**	**1,459,440**
Net Expenditure/(Revenue)	**$ 26,633,678**	**$ 26,283,618**	**$ 350,060**

Niagara Regional Housing (NRH) - Statement of Operations (cont'd)

Community Impacts & Achievements

NRH had another successful year with full delivery of programs and a year-end surplus of $350,060.

Core Programs

In 2012, NRH continued to provide property and asset management services for a residential portfolio of 2,751 units (over 6500 residents) including 35 apartment buildings and over 900 townhouses/houses. This portfolio accounted for 38 per cent of the total expenditures. Last year saw the introduction of a 55 unit self-sustaining townhouse development whose rental revenue will support the expenditures for the community both now and in the future.

The rental subsidy programs, which include private landlords and non-profit/co-operative housing providers account for an additional 5,000 units of affordable housing and represent 55 per cent of the expenditures from 2012.

The demand for affordable housing, as expressed through the waiting list, continued to increase with a 5 per cent variance over 2011. At the end of 2012 over 10,700 applicants were waiting for permanent subsidized accommodation and 616 received housing.

Federal/Provincial Short Term Programs

NRH receives funding from the Federal/Provincial governments for short-term programs such home-owner rehabilitation and housing allowances for applicants on the waiting list. In 2012, $723,489 was received and applied to these programs.

Variance Analysis

Although, at year-end NRH is in a surplus position, there is considerable variance in some accounts. In particular, milder weather conditions contributed to a savings in utilities (*Materials, Supplies and Utilities*) which was helpful in offsetting increased costs for repairs to the aging residential portfolio (*Repairs and Maintenance*) and property taxes (*Purchasing Services and Other Operating Expenses*).

The variance under *Housing Provider Subsidy* and Supplements was largely due to the Federal/Provincial programs and was offset with revenue from the *Ontario/Canada Grants*.

Provincial Offenses Act - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 1,882,013	$ 1,929,858	$ (47,845)
Administrative Expenses	38,084	41,104	(3,020)
Materials, Supplies & Utilities	108,867	101,096	7,771
Purch. Serv. & Other Operating Exp.	3,768,919	4,032,238	(263,319)
Financial Expenditures	120,000	90,521	29,479
Capital Equipment & Renovations	34,620	29,503	5,117
Transfers to Reserves & Reserve Funds	1,500,000	1,500,000	-
Interfunctional Charges/Recoveries	623,546	614,130	9,416
Total Gross Expenditure	**8,076,049**	**8,338,450**	**(262,401)**
Revenue			
Other Revenue	(9,076,049)	(8,856,957)	(219,092)
Total Revenue	**(9,076,049)**	**(8,856,957)**	**(219,092)**
Net Expenditure/(Revenue)	**$ (1,000,000)**	**$ (518,507)**	**$ (481,493)**

Provincial Offenses Act - Statement of Operations (cont'd)

Community Impacts & Achievements

- Operating expenditures are a direct result of demands for service placed on the court system
- At end Q4, trials were being scheduled for Part 1 and Part 3 matters into July/September of 2013
- All POA staff attended training on diversity, accessibility and the LEAN process
- A three year business plan was finalized which will provide a focus for staff and management to continue to deliver efficient and effective court services
- RFPQ for prospective sites for POA courthouses to be released, with submissions then due, in Q1 2013

Variance Analysis

Unfavourable operating expenditures of $263,000 are a direct result of increasing demands for service placed on the court system arising from:

- Increased courtroom utilization, resulting in greater adjudication and interpreter costs
- Increased use of labour pool staff to assist in providing service to the public
- Some transcription services out-sourced
- Additional costs were incurred in 2012 for the implementation of the new centralized prosecution model
- Increased use of per diem prosecutors to cover increased number of courts scheduled
- Increased mailing charges for Notices of Fine and Due Date given 8 per cent increase in Fail to Respond cases

To extent some of these pressures were offset by:

- Decreased cost for tickets due to the decrease in charge volumes
- Decreased use of Part 3 prosecutors
- Decreased cost for processing charges
- Decreased credit card fees

Revenue trended downward in the final quarter of 2012. Projected revenue was not realized due to a decrease of 23 per cent in charges filed in 2012, the lowest number of charges in the past four years.

The unfavourable variance in operating expenditures is primarily a result of personnel costs and increased courtroom utilization resulting in increased adjudication costs, per diem prosecution costs, and increased expense for interpreters. This, coupled with a reduction in charges filed, has resulted in a variance of $481,493 from budget. In order to meet forecasted revenue commitments to all municipal partners a recommendation will be made to Council for approval to reduce the transfer of funds into the POA reserve account by the corresponding amount. This recommendation has been supported unanimously by the Joint Board of Management.

Economic Development & Niagara Economic Development Corporation (NEDC) Grant

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ -	$ 175,012	$ (175,012)
Administrative Expenses	-	32,933	(32,933)
Materials, Supplies & Utilities	-	3,986	(3,986)
Purch. Serv. & Other Operating Exp.	1,703,377	1,180,176	523,201
Financial Expenditures	-	50,000	(50,000)
Capital Equipment & Renovations	-	3,452	(3,452)
Interfunctional Charges/Recoveries	-	3,205	(3,205)
Total Gross Expenditure	**1,703,377**	**1,448,764**	**254,613**
Revenue			
Other Revenue	-	(2,500)	2,500
Total Revenue	**-**	**(2,500)**	**2,500**
Net Expenditure/(Revenue)	**$ 1,703,377**	**$ 1,446,264**	**$ 257,113**

Economic Development & Niagara Economic Development Corporation (NEDC) Grant (cont'd)

Community Impacts & Achievements

2012 was a transition year, as the function of economic development has moved from the arms-length Niagara Economic Development Corporation(NEDC) to a department within Niagara Region. A new Director was brought on board in Q3 and staffing was completed early in Q4, ultimately resulting in a staff contingent of six full-time employees. The 2012 budget reflected expected costs to undertake economic development activities throughout the transition period, and these costs have been incurred both in NEDC and the Region. Throughout the transition period, economic development staff continued activities to attract new business to the region, as well as developing partnerships to support industry growth.

Variance Analysis

In 2012, the economic development function transitioned from the NEDC agency, a separate corporation that historically received funding from the Niagara Region, to a department within the Niagara Region. A formal plan of execution was undertaken and full ongoing financial impacts have been incorporated into the 2013 budget. As of Jan. 1, 2013 the full finances of the economic development function began operating within the new department.

In 2012, costs were incurred in both NEDC and the Region as the transition was executed. Also as a result of the transition, the 2012 budget for NEDC was not allocated among the various expenditure and revenue categories. The above summary shows a net surplus of $257,113 from the combined full operation of the economic development function in 2012. This surplus is mainly a result of position gapping and timing to get new programs operational. At Dec. 31, 2012 approximately $0.7 million in grant funding was required to fund net expenditures that have been incurred by the NEDC agency and to facilitate the wind-up of the agency. This has been included in the purchased services and other operating expenses line above. The remaining $0.7 million in total spending for the function was incurred by the new economic development department within the Niagara Region under its new mandate.

General Government - Statement of Operations

Object of Expenditure Description	Annual Budget	2012 Year To Date Actual	Budget vs Actual Variance Favourable/ (Unfavourable)
Gross Expenditure			
Personnel Costs	$ 1,009,958	$ 1,013,745	$ (3,787)
Administrative Expenses	114,605	118,050	(3,445)
Materials, Supplies & Utilities	-	36,568	(36,568)
Repairs & Maintenance	40,000	34,144	5,856
Purch. Serv. & Other Operating Exp.	6,118,113	6,012,422	105,691
Financial Expenditures	46,422,844	50,526,519	(4,103,675)
Capital Equipment & Renovations	-	6,748	(6,748)
Transfers to Reserves & Reserve Funds	17,224,661	21,417,163	(4,192,502)
Allocations to Capital Program	-	(50)	50
Debt Allocation	(12,907,593)	(12,804,478)	(103,115)
Interfunctional Charges/Recoveries	1,034,845	969,821	65,024
Total Gross Expenditure	**59,057,433**	**67,330,652**	**(8,273,219)**
Revenue			
Taxation - Levy	(311,499,180)	(310,223,060)	(1,276,120)
Ontario/Canada Grants	(1,599,270)	(1,560,675)	(38,595)
Fees & Service Charges	-	(21,476)	21,476
Other Revenue	(12,488,500)	(15,960,768)	3,472,268
Transfers from Reserves & Reserve Funds	(5,001,664)	(5,837,679)	836,015
Total Revenue	**(330,588,614)**	**(333,603,658)**	**3,015,044**
Net Expenditure/(Revenue)	**$ (271,531,181)**	**$ (266,273,006)**	**$ (5,258,175)**

General Government - Statement of Operations (cont'd)

Community Impacts & Achievements

The final aggregate 2012 tax revenue and expenses position was $4.9 million less than budget, with major variances in the following categories:

- Supplemental tax revenue was $1.1 million less then budgetted
- Payments-in-lieu of tax revenue was $0.4 million less then budgetted
- Tax write-off expense was $3.5 million more then budgetted

Variance Analysis

The majority of the unfavourable year to date variance is a result of a known tax assessment appeal which is included in financial expenditures line.

The increased other revenue is mainly a result of additional investment income (see investment report for further details on page 48). The unfavourable variance on transfers to reserves of approximately $4.2 million is primarily the result of investment activity that exceeded budget and was redirected to reserves per the investment and reserve policy. This includes supported transfers to the investment income stabilization reserve of $1.3 million, and investment income that was allocated to specific reserves in 2012 (total of $3.1 million vs. $1 million budgeted) as described in CSD 02-2013.

In 2012, the Responsive Region Improvement Team had planned to spend $0.2 million in consulting costs which was to be funded from the Improvement Initiatives reserve. RRIT did not require all those funds and as such have returned $0.17 million to the reserve.

Unfavourable taxation revenue is a result of lower than budgetted payments-in-lieu and supplemental taxes.

Other than the tax assessment reduction costs noted above, financial expenditures are in line with budget but are impacted by a favourable variance as a result of the timing of processing of debt related charges. The 2012 budget did not consider the impact of interest accruals. This impact has been factored into the 2013 budget.

Reserve Summary

Description	Balances at December 31, 2011	2012 Net Transfers from/(to) Operating	2012 Capital Transfers	2012 Yearend Transfers	Balances at December 31, 2012	Capital Commitments *	Balance Available at December 31, 2012
Ambulance Communication	$ 1,947,261	$ (132,968)	$ (115,000)		$ 1,699,293		$ 1,699,293
Chemical, Biological, Radiological, Nuclear (CBRN)							
Emergency Response Team	201,938	50,000		9,865	261,803	(200,000)	61,803
Ambulance Replacement	348,682	763,441	(725,000)		387,123		387,123
Niagara Regional Housing	9,437,690				9,437,690		9,437,690
Fleet Equipment Replacement	6,371,133	1,693,330	(1,905,534)		6,158,929		6,158,929
Police Vehicle and Equipment Replacement	212,591	1,600,000	(1,620,000)		192,591		192,591
Welland Canal Crossings	141,695				141,695		141,695
NRH Owned Units	3,672,273	343,576	(2,039,549)		1,976,300		1,976,300
Corporate Employee Recognition Team (CERT)	411,059	(41,850)			369,209		369,209
PW Field Admin. Equip. Replacement	99,752	100,000	(195,000)		4,752		4,752
Senior Capital	2,870,482	498,650	(947,100)		2,422,042		2,422,042
Public Health	538,742	(311,000)			227,742		227,742
Social Assistance	8,489,459				8,489,459		8,489,459
Childrens Services	700,341				700,341		700,341
NRH Rent Supplements	890,115	(469,690)			420,425		420,425
Police Emergency Preparedness	50,000	(50,000)			-		-
Police Contingency	436,029	50,000			486,029		486,029
Police Services Board Contingency	130,154	(70,000)			60,154		60,154
Smart Growth	1,754,896	(70,342)			1,684,554		1,684,554
Fire Co-ordinator	89,019	13,143			102,162		102,162
Community Services Building Standards	87,282	(87,282)			-		-
POA Facility Renewal	1,694,058	1,500,000	(500,000)	(481,493)	2,212,565		2,212,565
Police Capital Levy	1,112,703	1,200,000	(1,125,773)		1,186,930	(150,000)	1,036,930
General Capital Levy	7,705,196	15,044,841	(16,925,031)		5,825,007	(1,540,000)	4,285,007
Public Health Vehicles & Equipment	366,040				366,040		366,040
Specialized Transit Equipment	286,195				286,195		286,195
Total Department/Program Specific Reserves	**50,044,797**	**21,823,849**	**(26,097,987)**	**(471,628)**	**45,099,032**	**(1,890,000)**	**43,209,032**

* Capital commitments represent previously approved capital budget items that have not yet been initiated.

Reserve Summary (cont'd)

Description	Balances at December 31, 2011	2012 Net Transfers from/(to) Operating	2012 Capital Transfers	2012 Yearend Transfers	Balances at December 31, 2012	Capital Commitments *	Balance Available at December 31, 2012
Police Accumulated Sick Leave	4,526,341	(250,000)			4,276,341		4,276,341
Regional OMERS	13,052	(13,052)			-		-
Future Benefit Costs	2,355,449	6,792,244			9,147,694		9,147,694
WSIB	14,123,030	(35,050)			14,087,980		14,087,980
Accumulated Sick Leave	2,984,434	(225,000)			2,759,434		2,759,434
Unrecorded Liabilities Public Sector Accounting Board	6,779,192	(6,779,192)			-		-
NRH Employee future benefits	803,974				803,974		803,974
Police Future Benefit Cost	1,115,738	912,332			2,028,070		2,028,070
Police WSIB	2,219,590	225,000			2,444,590		2,444,590
Sub-total Employee Benefit Reserves**	34,920,800	627,282	-	-	35,548,082	-	35,548,082
Investment Income Stabilization	1,003,287	558,007			1,561,294		1,561,294
Tax Write off Stabilization	5,000,000				5,000,000		5,000,000
Year End Transfer	2,836,664	(2,836,664)			-		-
Self Insurance	2,513,784	(15,600)			2,498,184		2,498,184
Contingency	7,143,725	1,569,686		124,017	8,837,428		8,837,428
Improvement Initiatives	497,149	136,556			633,705		633,705
Taxpayer Relief	5,174,900	(1,725,000)			3,449,900		3,449,900
Total Corporate Stabilization Reserves	**59,090,309**	**(1,685,733)**	-	**124,017**	**57,528,594**	-	**57,528,594**

* Capital commitments represent previously approved capital budget items that have not yet been initiated.

** As of December 31, 2012 the employee future benefit liabilities (including vacation and lieu liabilities) were $87,081,610 (Reserves = $35,548,082).

Reserve Summary (cont'd)

Description	Balances at December 31, 2011	2012 Net Transfers from/(to) Operating	2012 Capital Transfers	2012 Yearend Transfers	Balances at December 31, 2012	Capital Commitments *	Balance Available at December 31, 2012
Health Unit Wallington	44,778				44,778		44,778
Total Regional Donation Reserves	**44,778**	-	-	-	**44,778**	-	**44,778**
FCM Reserve	-			350,000	350,000		-
Niagara College	85,000	(85,000)			-		-
Circle Route Initiatives	1,482,681				1,482,681		1,482,681
Police Ontario Police Video Training Alliance	31,250				31,250		31,250
Encumbrance	2,654,811	261,041			2,915,852		2,915,852
Hospital Contribution	1,000,000	(15,076,200)			(14,076,200)		(14,076,200)
Land Ambulance Severance	4,211,266	470,067			4,681,333		4,681,333
Total Regional Commitments Reserves	**9,465,008**	**(14,430,092)**	-	**350,000**	**(4,615,084)**	-	**(4,965,084)**
Sewage Operations	48,263,553	20,409,922	(15,200,364)	3,015,027	56,488,237		56,488,237
Water Operations	64,374,944	20,683,760	(14,589,831)	2,781,346	73,250,219		73,250,219
Waste Management	15,770,260	1,013,930	(4,781,842)	3,293,646	15,295,994		15,295,994
Total Rate Supported Reserves	**128,408,856**	**42,107,611**	**(34,572,037)**	**9,090,019**	**145,034,449**	-	**145,034,449**
	-				-		-
Total (Excluding Deferred Revenues)	**$ 247,053,748**	**$ 47,615,636**	**$ (60,670,024)**	**$ 9,092,408**	**$ 243,091,768**	**$ (1,890,000)**	**$ 240,851,768**

* Capital commitments represent previously approved capital budget items that have not yet been initiated.

Note: Of the balance available at December 31, 2012, $3 million has been committed to the 2013 year outside of the budget process through the encumbrance and yearend transfer reports. The approved 2013 budget will have a net impact of decreasing total reserves by $5.1 million. As a result, at January 1, 2013 the uncommitted reserve balance is $232.8 million.

Deferred Revenues (Development Charges & Gas Tax Reserve Funds)

Description	Balances at December 31, 2011	2012 Net Transfers from/(to) Operating	2012 Capital Transfers	Balances at December 31, 2012	Due from Area Municipalities*	Capital Commitments **	Balance Available at December 31, 2012
Development Charges-General Government	$ 436,805	$ (15,030)	$ -	$ 421,775	$ 41,438	$ -	$ 463,213
Development Charges-Public Works	187,951	(187,951)		-			-
Development Charges-Police Services	1,027,353	192,584	(1,089,506)	130,431	106,085		236,516
Development Charges-Roads	15,731,856	5,179,002	(11,979,559)	8,931,300	2,757,041	(7,700,468)	3,987,873
Development Charges-Sewer	7,524,259	3,771,287	(981,903)	10,313,642	1,638,190	(6,698,663)	5,253,169
Development Charges-Water	10,956,929	1,631,719	(776,586)	11,812,061	618,362	(621,591)	11,808,832
Development Charges-Emergency Medical	130,007	13,758		143,765	14,027		157,792
Federal Gas Tax	14,140,103	13,268,243	(16,246,275)	11,162,071		(8,301,414)	2,860,657
Total	**$ 50,135,263**	**$ 23,863,611**	**$ (31,073,830)**	**$ 42,915,046**	**$ 5,175,143**	**$ (23,322,136)**	**$ 24,768,062**

* Amounts due from area municipalities cannot be recognized as a deferred revenue until actually received. Amounts represent the development charges due from local municipalities but not yet received. Amounts will be added to the balance once collected.

** The capital commitments included represent all approved capital project expenditures budgeted to be funded by development charges and/or federal gas tax. Each quarter and/or yearend a review of the status of the respective capital projects is completed and revenue earned is allocated accordingly.

Note: Each yearend a review of the status of capital projects is completed and revenue earned is transferred from the development charge account to the capital project. In this respect, the balance available represents uncommitted development charges as of Dec. 31, 2012 to be applied to capital projects through future capital budgets. The approved 2013 budget will have a net impact of decreasing total deferred revenues by $5.5 million. As a result, at Jan. 1, 2013 the uncommitted deferred revenue balance is $19.3 million.

Development Charge Revenues

	2011		2012	
Gross Development Charge Revenues	20,076,316		22,864,242	
Less: Non-discretionary exemptions	(1,379,903)	6.9%	(1,652,653)	7.2%
	18,696,413		21,211,589	
Less: Discretionary exemptions (Forgone Revenue)	(8,627,524)	43.0%	(9,379,921)	41.0%
Net Development Charges Revenues *	10,068,889	50.2%	11,831,668	51.7%

* Development charge revenues are deposited to the reserve funds above.

Encumbrances

Encumbrance accounting is a mechanism to facilitate the accounting of goods and services where an obligation to purchase has occurred but the goods or services had not been received by year end. Public sector accounting requires the Niagara Region to follow accrual based accounting. Accrual based accounting creates a funding complication in that items ordered and services contracted near year end and received subsequent to year end would not be matched to their budgeted funding. Encumbrance accounting was introduced to effectively transfer the budgeted funding for goods and services where a purchase order, contract or other commitment exists, to an encumbrance reserve at year end. In the following year when the goods or services are received the budgeted funding is transferred back to match the actual expense. Encumbrance accounting eliminates the need to rebudget for work in process at year end. Below is a detailed summary of 2012 encumbrances by department as reported in CSD 23-2013.

Description	Amount	
Corporate Services		
Financial System Review CSD 152-2011 (2011 - $400,000)	150,000	*
ROI Review of Financial System (CSD 123-2012)	50,880	
Total Encumbrances for Corporate Services	200,880	
Integrated Community Planning		
Nordcity Group - Economic Impact Assessment (2011 - $70,000)	22,326	*
Accessibility Ontarians Disability Act Training Video	4,000	
Dillon - Review Provinces Growth Paper & Schedule	7,119	
Dillon - Regional Nodes & Corridors (2011 - $75,000)	7,121	*
Urban Strategies - Complete Streets (ICP 67-2012)	28,586	
Dillon - Non-Gateway Employment Lands Study	129,439	
Urban Strategies - Niagara's Greenbelt Plan	91,226	
Stephen Bedford - Welland Canal Heritage Designation	43,279	
Urban Strategies - Lakefront Enhancement Strategy	175,000	
Water Smart - Storm Sewer System Infrastructure Needs Study	50,000	
Water Smart - Various Studies WA0902	50,000	
Township of West Lincoln - Twenty Mile Creek Trail	37,500	
Hemson Consulting - Land Supply & Regional Phasing Study (2011 - $143,851)	188,117	*
Total Encumbrances for Integrated Community Planning	833,713	
Niagara Regional Housing		
Exterior Repairs (Multiple Locations)	57,217	
Floors & Tiles (Multiple Locations)	45,369	
Painting (Multiple Locations)	57,905	
Security Systems (Multiple Locations)	36,201	
Total Encumbrances for Niagara Regional Housing	196,692	

Encumbrances (cont'd)

Description	Amount	
Public Health		
EMS - Software Program Implementation (CSD 102-2012)	132,968	
EMS - Fleet Centre Leasehold Improvements (Report to CSC in Feb. 2013)	111,572	
PH - Roads Safety Project (2011 - $150,000)	138,547	*
PH - Sexual Health Oral Contraceptive Program (2011 - $75,000)	75,000	*
Total Encumbrances for Public Health	458,087	
Public Works		
Waste Management - Phase 2 Public Space Recycling Program	89,294	
Waste Management - Alternative Waste Management Technologies Assessment (PWA 72-2011)	205,000	
Waste Management - Plastics Awareness Campaign (2011 - $50,000)	87,050	*
Waste Management - Waste Audits for Program Monitoring and Benchmarking	55,000	
W/WW - Conditional Assessment of St. David's Transmission Main	17,247	
W/WW - Consolidate Yard Pipe Drawings - Port Dalhousie	20,896	
W/WW - Condition Assessment - Port Dalhousie WWTP	60,236	
W/WW - Condition Assessment - Pump Stations Phase V	57,903	
W/WW - WWTP Facilities Roof Condition	84,029	
W/WW - Performance Testing	10,141	
W/WW - Replacement of Screw & Liners at Niagara Falls WWTP	12,227	
W/WW - Condition Assessment Booster & PS Phase IV W91103	61,642	
W/WW - Roof Assessment (Water)	84,028	
W/WW - Water Wastewater Review (PW 36-2012)	296,000	
Transportation - Crack Sealing Program	31,694	
Transportation - Amendments to Sign By-law 2705-80 (2011 - $38,180)	29,131	*
Transportation - Thorold Stone Road Safety Review	24,962	
Total Encumbrances for Public Works	1,226,480	
TOTAL	2,915,862	

* Encumbrance balances that have been carried over from 2011

Encumbrance History					
	2012	2011	2010	2009	2008
Administration	$ -	$ -	-	$ 20,000	$ 20,000
Community Services	-	-	-	34,000	-
Corporate Services	200,880	580,593	18,460	147,600	79,324
Niagara Regional Housing	196,692	157,224	75,808	43,964	21,700
Integrated Community Planning	833,713	992,671	172,144	177,000	158,000
Public Health	458,087	-	-	577,359	-
Public Works	1,226,480	924,323	803,078	821,197	1,612,554
TOTAL	$ 2,915,852	$ 2,654,811	$ 1,069,490	$ 1,821,120	$ 1,891,578

Capital Summary

The Corporate Services department develops the Capital Affordability Strategy, the Capital Financing Strategy and Capital Budget guidelines, in co-ordination with departments and boards input and in alignment with Council objectives and Corporate Policies. The Corporate Services department is responsible for the following:

- preparing the consolidated capital budget and forecast based on the requests of departments and boards
- coordinating capital initiations, financing, close out approvals and reporting
- supporting tangible capital asset accounting in accordance with the Capital Asset Management Policy
- reporting on the consolidated activity of the capital program

The capital budget represents priority projects as determined by the departments and boards, and approved by Council. Following capital budget approval, projects get initiated based on departmental requirements and timing to complete projects. Project managers within the departments and boards administer the projects and maintain the related tangible capital asset information. Project managers are accountable for monitoring the capital projects within the capital program and taking corrective action, when necessary, including both reporting on significant variances as well as taking part in the capital close out process.

Capital Project Summary

Illustrated below is the total capital budget currently being managed by the Niagara Region of $726.6 million, representing 676 projects, total capital spending to date of $416.7 million and budget remaining of $309.9 million. This chart represents, in aggregate, all currently active and uninitiated projects managed by the Niagara Region.

Capital project detail for 49 projects with remaining budgets greater than $1M is discussed on subsequent pages.

Departments and Boards	Total Budget	Project-to-Date Actuals	Budget Remaining
Projects with remaining budgets >$1M			
Community Services	8,150,000	6,723,694	1,426,306
Corporate Services	10,900,000	44,879	10,855,121
Niagara Regional Housing	9,982,623	1,019,222	8,963,401
Niagara Regional Police Services Board	89,226,877	6,942,816	82,284,061
Public Health	1,565,000	251,003	1,313,997
Public Works - Levy	56,225,198	19,475,243	36,749,955
Waste Management	7,806,532	1,439,660	6,366,872
Wastewater	56,670,390	15,809,462	40,860,927
Water Works	47,075,002	12,049,410	35,025,592
	287,601,622	63,755,389	223,846,233
Projects with remaining budgets <$1M	438,975,306	352,934,560	86,040,746
Grand Total	**726,576,928**	**416,689,949**	**309,886,979**

There are 627 various department projects with remaining budgets less than $1 million. Spending on these projects to date represents 80.4 percent of the capital budget on these projects.

Capital Project Detail

In addition to the capital project summary, a detailed analysis of capital projects with budgets remaining greater than $1 million (as provided by departments) is presented below. There are a total of 49 projects totaling $287.6 million of approved capital budget. Project spending to date on these projects amounts to $63.8 million, representing 22.2 percent of the capital budget on these projects.

Estimated year of completion have been provided by Project Managers within their respective departments. It should be noted that the Niagara Regional Police Services Board (NRPS) Long Term Accommodations (LTA) project is included in this analysis. Excluding the NRPS LTA projects, spending for those projects with remaining budget greater than $1 million, as a percentage of their overall budget would amount to 23.8 percent.

Projects with remaining budgets greater than $1million

Departments and Boards Project Description	Total Budget	Project-to-date Actuals	Budget Remaining	Est. Year of Completion
Community Services				
Deer Park Villa Renovations	$ 8,150,000	$ 6,723,694	$ 1,426,306	2013
Corporate Services				
IT Server Building	3,400,000	697	3,399,303	2015
Public Health Facilities	3,000,000	-	3,000,000	2015
Council Chambers Renovations	2,000,000	43,993	1,956,007	2013
Construction EMS Bldgs	2,500,000	189	2,499,811	2015
	10,900,000	**44,879**	**10,855,121**	
Niagara Regional Housing				
Fitch Street	**9,982,623**	**1,019,222**	**8,963,401**	2013

Capital Project Detail (cont'd)

Departments and Boards Project Description	Total Budget	Project-to-date Actuals	Budget Remaining	Est. Year of Completion
Niagara Regional Police Services Board				
Long-term Accomodations - HQ/Admin	83,076,000	6,647,735	76,428,265	2015
Radio/Data System Infrastructure and Equipment	2,400,877	239,113	2,161,764	2013
NRPS - IT Continuity Plan	1,500,000	55,968	1,444,032	2013
Communications Unit Back-up	2,250,000	-	2,250,000	2013
	89,226,877	**6,942,816**	**82,284,061**	
Public Health				
2012 - Ambulance & Equipment Replacement	**1,565,000**	**251,003**	**1,313,997**	2013
Public Works - Levy				
Transportation				
Construct New Hwy 406 Interchange at First & Third, SC	1,700,000	510,533	1,189,467	2017
Embankment Stabilization RR 14 (Canboro Rd) at Warner	2,410,000	443,578	1,966,422	2014
Intersection RR 81 (St. Paul St) at Vansickle Rd / First St	2,380,000	133,191	2,246,809	2014
Lakeshore Rd, from Geneva St to Bradmon Dr	6,774,718	2,097,521	4,677,197	2013
Niagara St, Scott St to Vine St	1,175,000	173,427	1,001,573	2014
Reconst RR 77 (Welland Ave), Niagara St to QEW	4,793,382	3,684,322	1,109,060	2013
Reconstruction RR 102 (Stanley Ave), Whirlpool Rd to Hwy 405	8,153,503	3,386,352	4,767,151	2014
Reconstruction RR 49 (McLeod Rd), Montrose Rd to Stanley Ave, NF	6,925,883	38,159	6,887,724	2014
Reconstruction RR 57 (Thorold Stone Rd) ext east of Stanley Ave	4,000,000	523,826	3,476,174	2015
Reconstruction RR 81 (St Paul St), Nineth St to Seventh St	6,493,081	2,788,312	3,704,769	2014
Reconstruction RR 89 (Glendale Ave), CNR to Canal Pkwy, Ph 2, SC	6,340,000	3,511,292	2,828,708	2013
Replacement of Burgoyne Bridge	5,079,631	2,184,730	2,894,901	2014
	58,225,198	**19,475,243**	**38,749,955**	
Public Works - Rate				
Waste Management				
Landfill Gas Coll System, Humberstone LF	2,290,000	223,145	2,066,855	2013
Facility Improvements, Recycling Centre	2,551,532	1,049,725	1,501,807	2013
Leachate Coll System Upgrades, Mountain Road LF	1,510,000	166,789	1,343,211	2013
2011 Green Retrofit Project, Recycling Centre	1,455,000	-	1,455,000	2013
	7,806,532	**1,439,660**	**6,366,872**	

Capital Project Detail (cont'd)

Departments and Boards Project Description	Total Budget	Project-to-date Actuals	Budget Remaining	Est. Year of Completion
Wastewater				
Anger Ave WWTP Upgrade-Ph 2	1,500,000	329	1,499,671	2018
Anger Ave WWTP Upgrades	10,000,000	6,873,435	3,126,565	2013
Crystal Beach WWTP Upgrade Ph 2	8,000,000	4,223,980	3,776,020	2013
Dominion Road Pump Station Upgrade	7,670,000	2,052,699	5,617,301	2014
Kalar Rd Pump Station Upgrade	2,500,000	19	2,499,981	2014
Kalar Road Pump Station Upgrade	1,424,890	288,041	1,136,849	2014
Murray Street Sewer Rehab	2,230,500	602,876	1,627,624	2014
NOTL WWTP Infrastructure Upgrade	2,000,000	5,397	1,994,603	2017
Port Weller WWTP - bar screen and alum tank upgrade	1,725,000	439,097	1,285,903	2014
PS Capacity Expansion Prg-Smithville PS capacity upgrade Ph 1	10,000,000	-	10,000,000	2015
Sewer & Forcemain Prg-Park Rd Sewer Repl	5,000,000	-	5,000,000	2014
Welland HRT Flow Monitoring	2,120,000	509,494	1,610,506	2019
Welland WWTP Upgrade Program	2,500,000	814,096	1,685,904	2016
	56,670,390	**15,809,462**	**40,860,927**	
Water Works				
Decew WTP Upgrade based on age/cond	14,000,000	512,673	13,487,327	2014
Edgedale / Eastchester Watermain Replacement	12,351,104	1,160,475	11,190,629	2014
Grimsby WTP Brick Replacement	1,500,000	66,977	1,433,023	2014
Niagara Falls WTP Structure Upgrades - Settling Tanks	7,000,000	2,240,468	4,759,532	2014
Repair & Painting Lundy's Lane Elevated Tank	1,200,000	-	1,200,000	2014
Twin 600mm Watermain, Riverview Blvd/Glenridge Ave	8,917,996	7,646,707	1,271,289	2013
Welland WTP Upgrade (Revised)	2,105,903	422,110	1,683,793	2015
	47,075,002	**12,049,410**	**35,025,592**	
Projects with remaining budgets >$1M Total	**$ 287,601,622**	**$ 63,755,389**	**$ 223,846,233**	

Capital Project Negative Budget Variances

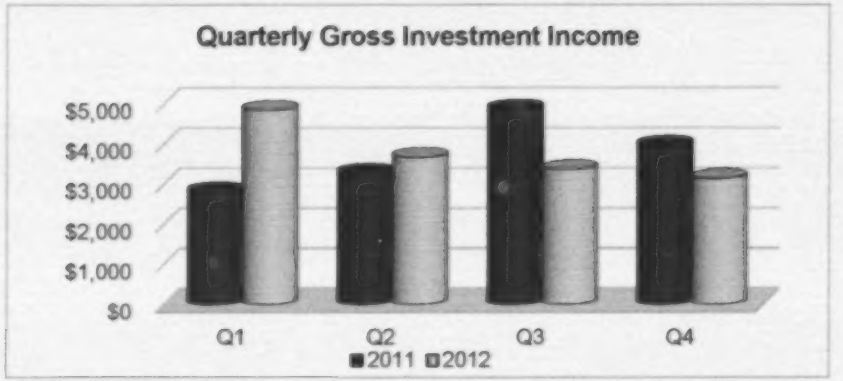
The Capital Asset Management Policy requires monitoring capital projects to identify projects for which a funding deficit has occurred and provides guidelines for addressing those deficits. Criteria used to identify significant variances are those greater than $5,000 and five percent over total budget at a parent project level. The policy also requires that projects be put on hold where they have been reported two times consecutively until such time as a funding source has been identified. These projects are denoted by *.

Project Description	Total Budget **	Project-to-Date Actuals	Variance $	Variance %
Community Services				
ZSC1107 - Capital Improvements/Replacements (2011)	$ 561,000	$ 591,791	$ (30,791)	5.49%
Explanation: Woodlands parking lot replacement went over budget as a result of an unforeseen delay, resulting in increased costs and design changes.				
ZSC1209 - Capital Improvements/Repalcements (2012)	$ 391,000	$ 411,442	$ (20,442)	5.23%
Explanation: Linhaven parking lot replacement went over budget as a result of parking lot foundation being softer than expected.				
Transportation				
ZRC1215 - Annual - Guide Rail Improvements Program	$ 300,000	$ 317,959	$ (17,959)	5.99%
Explanation: The guide rail improvements program includes works undertaken that relate to project ZRC1216 - Guide Rail Installation Program. A reconciliation of costs will be undertaken pending completion of the project and a portion of the costs, currently reflected in this project, will be allocated to the Guide Rail Installation Program.				
***ZRC0527 - Reconstruction RR 73 (Fly Rd), Tintern Rd to Spiece Rd**	$ 3,622,120	$ 3,899,300	$ (277,179)	7.65%
Explanation: Additional costs incurred were related to the disposal of surplus soil and property acquisitions. It should be noted that RC0527 under the same parent project was closed, and is no longer reflected in the budget, with a surplus of $1.2 million to the capital variance reserves in 2011. Note: This project variance has been reported four times consecutively and has now been identifed to be included in the next capital project closure report scheduled for 2013.				
***ZRC0746 - Intersection RR 20 Lundys Lane Highland Ave to Main**	$ 4,734,684	$ 4,968,278	$ (233,594)	4.93%
Explanation: Unforeseen utility conflicts increased the project costs. Overage could be further impacted upon finalization of cost sharing with the City of Niagara Falls. Staff are preparing a report to Committee to address the over expenditure and financing options.				
ZRC1157 - Rds Rehab-RR69-Pelham Rd., First St to Effingham Road	$ 2,379,773	$ 3,026,957	$ (647,184)	27.20%
Explanation: Unforeseen poor subgrade conditions encountered throughout the project site during construction prompted a need to sub-excavate (i.e. lower grade by an average depth of 0.2m throughout). A report is going to Corporate Services Committee on February 20th to outline the project spending in detail and address the funding of the variance.				
Total	**$ 11,988,577**	**$ 13,215,726**	**$ (1,227,149)**	**10.24%**

** Includes Capital Variance Reserves

Investment Report (in 000's)

Institution	Aggregate Amount of Investment by Institution	Percentage Holdings by Security excluding Cash Balance
Investments		
Region of Niagara	31,719	8.7%
Federal	15,068	4.1%
Provincial	117,438	32.1%
Municipal	41,707	11.4%
Corporate	159,511	43.6%
TOTAL excluding Cash	365,443	100.0%
Cash (General Checking)	40,831	
Cash (Savings)	75,005	
Cash (Sinking Fund)	33	
TOTAL including Cash	481,312	



Funds	Book Value	Weight Q4
Cash	115,836	24.1%
Cash Equivalents < 1 Year	43,192	9.0%
2 Year	79,785	16.6%
3 Year	80,958	16.8%
4 Year	59,660	12.4%
5+ Year	98,800	20.5%
Sinking Fund (Incl. Cash)	3,080	0.6%
Total Portfolio	481,312	100%

	Q1	Q2	Q3	Q4	Total
2011 Actuals (Gross)	2,819	3,281	4,870	3,973	14,943
2012 Budget (Gross)	3,081	3,081	3,081	3,082	12,325
2012 Budget (Net)	3,081	3,081	3,081	2,082	11,325
2012 Actuals (Gross)	4,846	3,672	3,369	3,144	15,031
2012 Actuals (Net)	4,281	3,672	3,369	50	11,373

Note: Net amounts are after interest allocation to reserve funds and recommended transfer to/from investment income stabilization reserve.

Investment Update

Investment earnings on the portfolio for the fourth quarter of 2012 amounted to $3,144,100. Segmented earnings were $2,632,846 on investments and $511,254 on the cash (general account) balance. The fourth quarter annualized yield on the investment and cash portfolio was 2.63 per cent vs. 2.77 per cent in the prior quarter. At December 31, 2012, the portfolio had unrealized market gains (market value vs. book value) of $8,556,456 vs. $11,768,907 in the third quarter. Gross investment income is favourable when compared to budget by $2,705,255.

Due to the favourable performance of the portfolio over the year, additional interest allocation to reserves was possible in accordance with the reserve policy. Interest allocation to reserve funds in the 4th quarter totalled $3.1 million. As per the investment policy, an annual amount of $1,329,378 was transferred to the Investment Stabilization Reserve. The annual transfer from the Investment Stabilization reserve at the end of the year totalled $771,371.

Corporate Financial Statistics

	2012 *	2011	2010	2009	2008
Affordability					
Net levy	$ 294,544,180	$ 282,829,024	$ 282,549,699	$ 280,257,383	$ 273,591,751
Net levy per capita	$ 654	$ 656	$ 637	$ 633	$ 619
Reserve Balances					
Levy reserves (before yearend transfers)	$ 98,054,930	$ 115,252,555	$ 122,548,068	$ 133,621,809	$ 134,100,344
Levy reserves as a % of levy	33.29%	40.75%	43.37%	47.68%	49.01%
Rate reserves (before yearend transfers)	$ 135,944,430	$ 120,511,216	$ 144,133,978	$ 115,131,571	$ 113,290,957
Rate reserves as % of rate requisition	97.33%	88.37%	107.14%	88.18%	89.10%
Net Long Term Debt					
Debt servicing as a % of own source revenues	7.53%	8.44%	6.77%	6.55%	7.25%
Debt as a % of own source revenues	45.29%	50.40%	56.39%	32.94%	34.43%
Credit rating	AA stable	AA stable	AA stable	AA stable	AA stable
Net long-term debt	$ 243,163,351	$ 264,167,325	$ 295,527,843	$ 167,571,880	$ 170,205,633
Net long-term debt per capita	$ 540	$ 612	$ 666	$ 378	$ 385
Net debt charges	$ 40,437,634	$ 44,259,801	$ 35,480,909	$ 33,307,433	$ 35,824,232
Net debt charges per capita	$ 90	$ 103	$ 80	$ 75	$ 81
Annual repayment limit	$ 90,120,066	$ 95,547,000	$ 87,754,000	$ 81,724,000	$ 82,763,000

* 2012 population taken from 2012 FP markets - estimates until finalized

Budget Adjustment Summary

Throughout the year, budget adjustments are made to reflect revised external funding for programs and to reallocate costs between departments or accounts due to operational changes. The primary driver of external funding adjustments is the Ministry funded programs because they set their budgets after the Region's budget is approved. However, the Ministries want to see these dollars reflected in the Region's budget. For this reason adjusting the gross budget throughout the year has been a long standing practice at the Niagara Region. Adjusting the gross budget has no impact on the levy as both external revenue and expenses are increased equally to reflect those program requirements. The net budget impacting levy and rate is not adjusted. Below is a summary of gross budget adjustments that have been processed to date. Reallocations of costs within departments or among categories are not summarized below. The adjusted budget is presented throughout this reporting book.

Original Budget Revenue & Expenditures		**$778,212,807**
Reclassification Adjustments (Items included as offsets to revenue in budget process but included as expenditures for actual funding and financial statement reporting).		
Interest allocation to reserves	**1,000,000**	
Budget Adjustments (Adjustments to the original gross revenue & expenditure budget).		
Various	129,991	Additional subsidy received for pay for performance adjustment. ($66,384 to Public Health, $50,496 to Community Services and $13,111 to Emergency Services)
Public Health	40,000	Branscombe Family Foundation Donation for Triple P Program.
Public Health	43,311	Federal government one-time funding and expenses for Drug awareness program.
Public Health	(27,340)	Funding of pre-natal classes to program based grants versus external revenue.
Public Health	98,057	Public Health of Ontario funding and expenses for Parenting Styles in Ontario project (PHD 57-2011)
Public Health	1,098,165	Additional funding received for 100% funded programs. (PHD 47-2011 and PHD 56-2011)
Community Services	394,715	Additional funding for 6.3 new full-time Personal Support Workers from Hamilton Niagara Haldimand Brant LHIN (COM 41-2011)
Community Services	112,211	New IAH program funding for 2.5 positions over 3 years in NRH (COM 02-2012)
Community Services	55,000	Year End surplus transferred to reserves for Intensive community development (NRH 10-95-4.2 & CSD 61-2011)
Community Services	17,231	IAH funding for 0.6 part time staff for administration (COM 02-2012)
Community Services	178,142	LHIN funding for 2.2 staff for Adult Day Services expansion at Woodlands & enhancement with Niagara College (COM 36-2011)
Corporate Services	(243,946)	Shared Services removal between NEDC & Region due to transition to department of Region.
Corporate Services	12,500	MFOA Internship Funding for student
Corporate Services	175,000	Emergency dispatch review funded from reserves (CSD 153-2011)
Corporate Services	15,600	To setup base budget for new legal resource (CSD 110-2012)
Integrated Community Planning	1,625,000	Cultural Capital of Canada Program (ICP 39-2012)
General Government	200,000	Set up base budget for RRIT funded from reserves (CAO 11-2011)
Emergency Services	14,425	MOHLTC additional funding and expenses for dedicated nurses to receive ambulance patients.
Emergency Services	560,104	MOHLTC funding for land ambulance to approved grant amount (PHD 28-2012).
Emergency Services	19,000	**4,517,166** MOHLTC additional funding and expenses for cell phone repairs
December 31, 2012 Adjusted Budget		**$783,729,973**

Explanation of Statement of Operations

The statements of operations provided in the preceding pages summarize the Niagara Region's financial operating activity as of December 31, 2012. These statements have been compiled by Corporate Services and the departments have validated the information and provided and commentary.

These statements present the net funding position of the Niagara Region's operating budget and do not include Private Sector Accounting (PSA) adjustments for amortization, employee future benefits, and landfill liability. Approved and/or expected unbudgeted transfers to/from reserves and reserve funds can offset other variances and affect net surplus/deficit reported by departments. These statements do not include capital activity.

To better help users understand what is included in the report, below are some definitions.

Report Columns

Annual Budget - represents the annual 2012 budget approved by council in December 2011 with budget adjustments as explained on page 50.

Year To Date Actual - represents actual costs incurred and revenues earned from January to December. Departments have accrued for goods or services received but not yet paid for and revenues earned but not yet received.

Year To Date Variance - represents the difference between the year to date budget and the year to date actual. An unfavourable variance (i.e. actual expenditures are greater than budgeted or actual revenues are less than budgeted) is shown as a negative and a favourable variance (i.e. actual expenditures are less than budgeted or actual revenues are greater than budgeted) is shown as a positive.

Report Rows

EXPENDITURES

Personnel Costs - include all salaries, benefits, and personnel related allowances (meals, clothing, training, etc).

Administrative Expenses - include some allowances (car, mileage, etc.), memberships, training and related expenses and other miscellaneous expenses.

Materials, Supplies and Utilities - include costs for; chemical, medical and office supplies, small equipment, waste management supplies, and all utilities.

Repairs & Maintenance - include all costs to repair or maintain equipment, property and vehicles.

Purchased Services and Other Operating Expenses - include costs for audit, advertising, consulting, insurance, leases, contracted services, Provincial Offenses Act (POA) expenses and other expenses.

Explanation of Statement of Operations (cont'd)

Social Assistance - costs include all Ontario Works allowances and benefits program costs.

Financial Expenditures - include all interest charges, principal debt payments, tax write-offs, and bad debt expense. The debt related charges included in this section get allocated to departments though the chargeback/recovery process.

Capital Equipment and Renovation - costs include all capital expenditures processed through the operating statement.

Interfunctional Charges/Recoveries - include all departmental chargebacks and recoveries for various services. Chargebacks and recoveries are recorded internally as a mechanism to reflect the full cost of each department. It is widely recognized within the organization that the current chargeback model does not achieve full cost accounting and as such Financial Management and Planning (FMP) has led a review of the current chargeback model that will be put in place effective January 1, 2013. For departments, interfunctional operating charges include insurance costs, rental costs, audit costs, WSIB costs, allocated salary costs, debt related costs, IT related costs, and many other interfunctional cost allocations. At a corporate level this will balance to interfunctional operating recoveries.

Housing Provider Subsidy and Supplements - include all rent supplements and the use of all housing related subsidies.

Transfer to Reserves and Reserve Funds - include all transfers of funds in the current year from operating to a reserve or reserve fund. At a corporate level the net of the transfers to reserves and the transfers from reserves represents our total contribution to reserves or draw on reserves in the year.

External Recoveries - include all costs the Region recovers from outside boards and agencies or other external parties. It mainly includes debt charges recovered from area municipalities, school boards, and Niagara Peninsula Conservation Authority (NPCA).

Capital Recoveries - include all costs that are incurred in the operating statements but subsequently allocated to capital projects. It mainly includes personnel costs and project management fees allocated to capital projects.

Explanation of Statement of Operations (cont'd)

REVENUES

Taxation – Levy - includes all revenues received from area municipalities including Payment-in-lieu (PIL) and supplemental. It also includes power dams revenue.

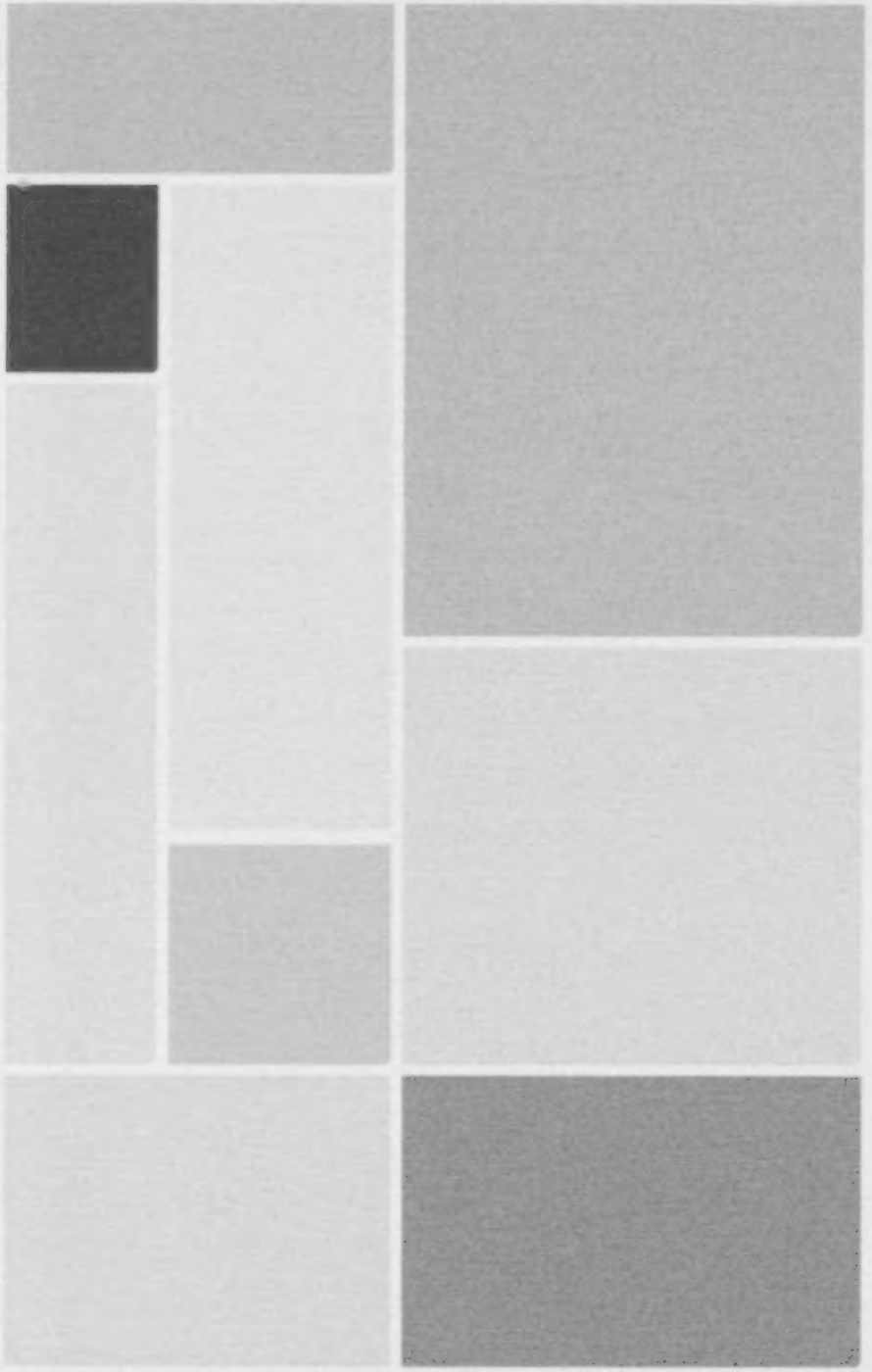
Taxation – Rate - includes all funds received to support water and wastewater operations.

Ontario/Canada Grants - include all funds received from the provincial and federal governments.

Fees and Services Charges - include child care fees, health fees, police fees (i.e. accident reports, etc), seniors homes fees (i.e. long term care accommodations fees), road fees, waste management fees (i.e. requisitions on local area municipalities) and other miscellaneous fees (i.e. zoning).

Other Revenue - includes investment income, POA revenue, recycling revenue, NRH revenue, and other revenue.

Transfers from Reserves & Reserve Funds - Transfers from reserves and reserve funds include all transfers of funds in the current year to operating from a reserve or reserve fund. At a corporate level the net of the transfers from reserves and the transfers to reserves represents our total contribution to reserves or draw on reserves in the year.



Annual Financial Update

Niagara Region

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